



BNP PARIBAS
ASSET MANAGEMENT

The sustainable investor for a changing world

For Professional Investors – Marketing Communication

CONTENTS



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When you see this icon, hover over the content to interact with it and explore further.

[Click here to access the glossary.](#)

SUSTAINABLE INVESTORS FOR A CHANGING WORLD

Climate change, growing social inequality and environmental damage caused by human activity can have a severe impact on the performance of companies in which asset management companies invest. To successfully meet today's challenges and ensure a prosperous and sustainable economy for tomorrow, long-term investors have a role to play by using the leverage that their investments and their voices bring to influence companies' practices. **At BNP Paribas Asset Management, we believe that if the financial sector takes better account of social and environmental externalities,** it will deliver value while making the world a better place and the global economy more sustainable. BNPP AM takes its share of responsibility and intends to be a driving force behind this transformation. To achieve this, we work with our clients to meet tomorrow's challenges today and contribute to a more secure economic future.



EDITORIAL



Sandro Pierri
CEO, BNP Paribas Asset Management

I am proud to lead an asset management firm that anchors its business philosophy to the conviction that contributing to the transition to a more environmentally sensitive and just economy is key to generating long-term, sustainable returns for clients. Despite the crises the world has faced in recent years, we have been able to grow and create value sustainably for our clients, our employees and society as a whole and our goal is to maintain this momentum. One of the most significant megatrends we are seeing is sustainability. While this may seem like business as usual, we need to remember that this is still

a relatively new theme for many investors, and the industry is still grappling with its full impact. Regulation is complex, ever changing and not always consistent, but our early commitment to this topic has given us the strength and expertise needed to navigate this important area for our clients. This is why we continue to invest heavily in the integration of state-of-the-art ESG data into our investment decisions, and in the control framework needed to ensure our sustainability-led process delivers on its objectives. The scale of change ahead of us is unprecedented. We do not simply have to cut emissions or reduce our impact

on the natural environment, but actively move to a net zero impact world. This will require the largest reallocation of capital ever seen and presents us all with the opportunity to not only reposition portfolios for sustainable growth, but to become a source of funding for a better world. A challenge of this magnitude requires a radically different level of thinking across the entire financial system that we have not had to do before.

The transition towards a sustainable future is too complex to face alone. I believe that it is by working collectively with clients, issuers, regulators and peers that we can create a sensible and successful way forward. Roadmaps, including those we have published on net zero and biodiversity, will help guide our actions, but need to be applied diligently and across the board if they are to be of consequence.

Sustainability also guides how we both manage our business today and position it for the future. At the end of 2022, we announced the acquisition of the majority of a sustainable forestry company, International Woodland

Company (IWC). Actions such as this are not just about creating new investment opportunities for clients, but also about how we bring our commitment to sustainability to life. IWC enhances our offering through the new Private Assets unit we have created, bringing together and leveraging the strengths of many parts of the BNP Paribas Group.

Finally, I would like to thank our employees for their commitment to delivering on our vision to be the sustainable investor for a changing world. We are above all a human company and the recipe for success is to have in our ranks tremendous talents with a high level of shared vision on sustainability. This report is a testament to the many achievements that we are proud to have made collectively in this respect.

In 2023, we will continue our efforts and be alongside our clients to support them in this world in transition. Whatever we face, we are ready to face it together and remain firmly committed to delivering long-term sustainable returns for the assets our clients entrust us with.

IT IS BY WORKING COLLECTIVELY
WITH CLIENTS, ISSUERS, REGULATORS
AND PEERS THAT **WE CAN CREATE**
A MORE SUSTAINABLE FUTURE.

ABOUT US

€501bn
Total
Assets under
Management

3,022
People

34
Countries

[BNP Paribas Asset Management](#) (BNPP AM) is BNP Paribas Group's dedicated asset management business that employs 3,022 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 10th largest asset manager in Europe*, BNPP AM manages €501 billion of assets and benefits from the expertise of around 500 investment professionals and 400 client-servicing specialists, serving individual, corporate and institutional clients in 67 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 offer portfolio investment expertise in line with clients' long-term sustainable performance expectations, including active, conviction-based strategies, emerging markets, multi-asset investments, private assets and liquidity solutions.



500
investment
professionals



400
client-servicing
specialists



Serving
clients in
67 countries

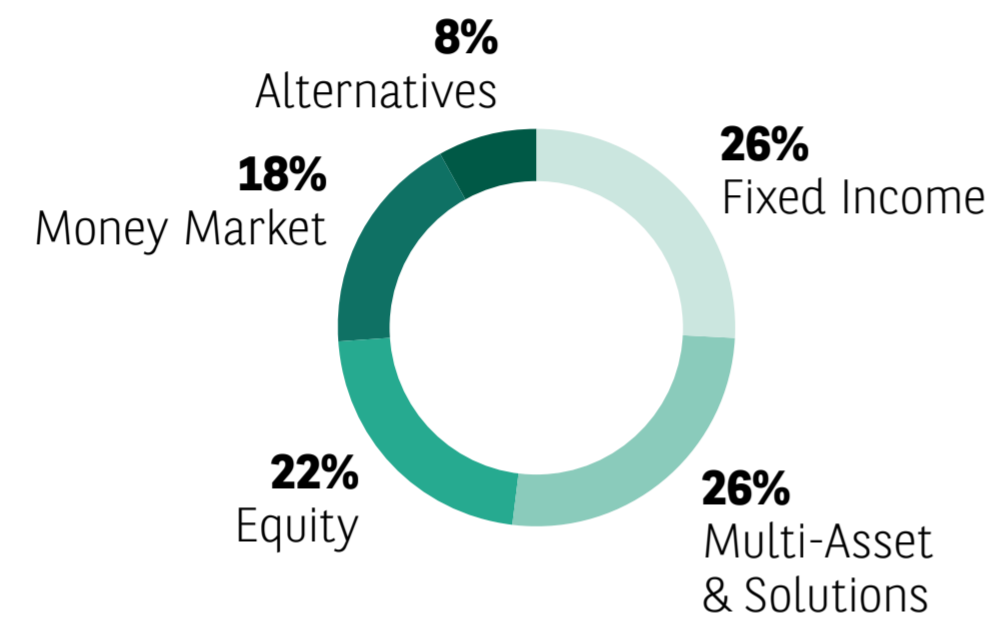
Joint ventures included
in the figures.

* Source: IPE Top 500
Asset Managers 2022.

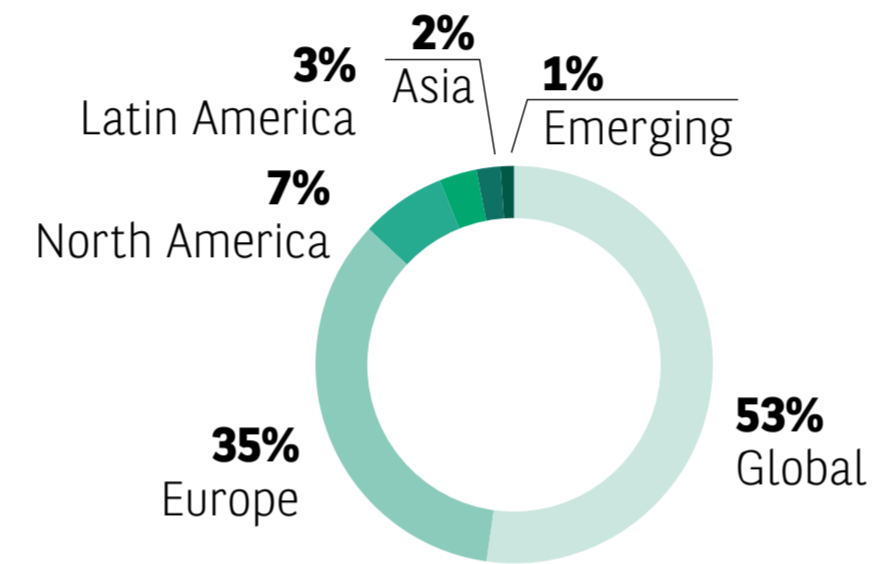


A WELL-BALANCED, GLOBALLY DIVERSIFIED AND EUROPEAN-ROOTED ASSET MANAGER

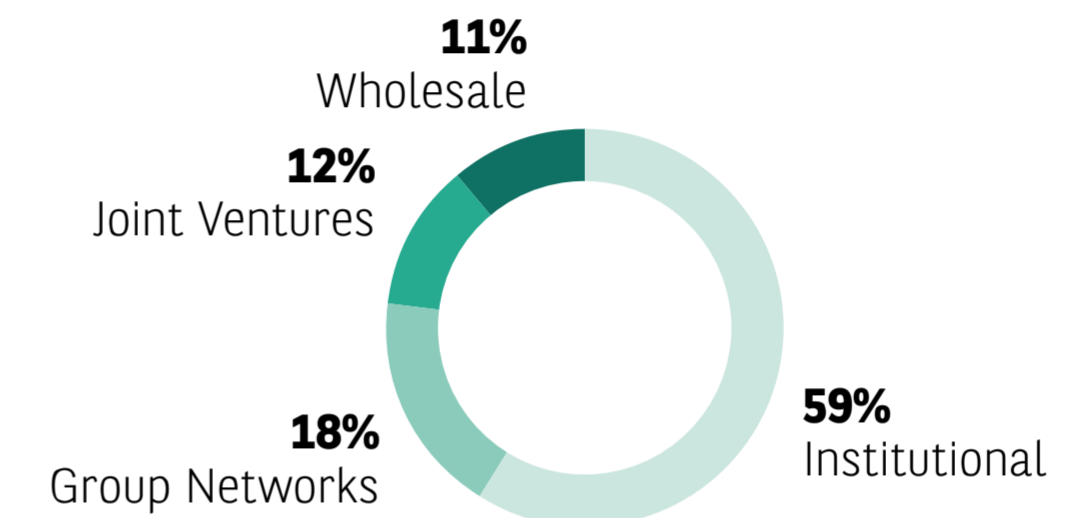
AUM BY ASSET CLASS



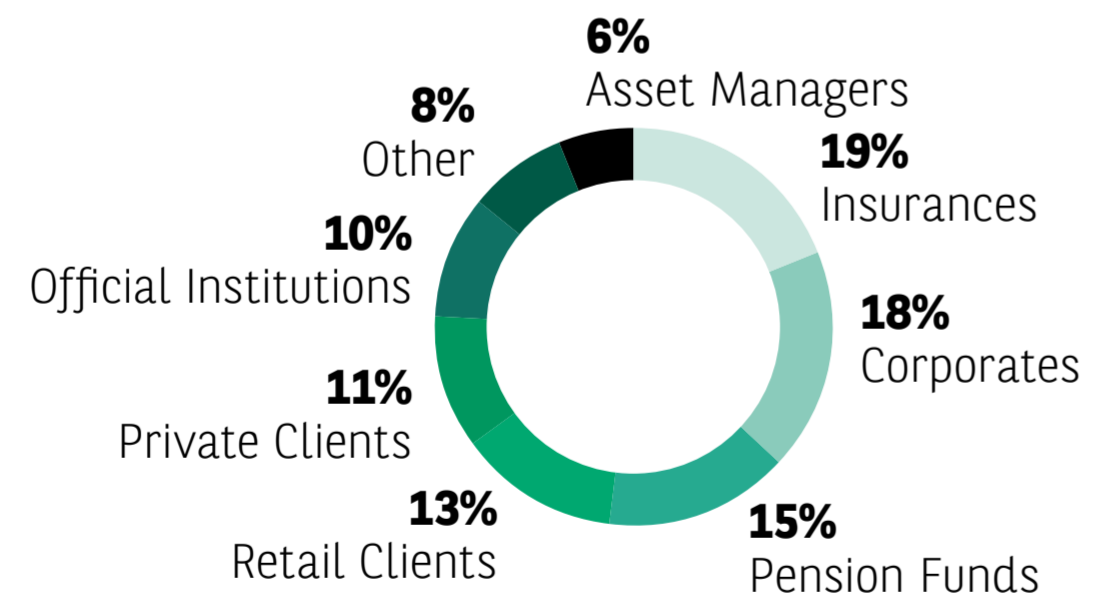
AUM BY GEOGRAPHY*



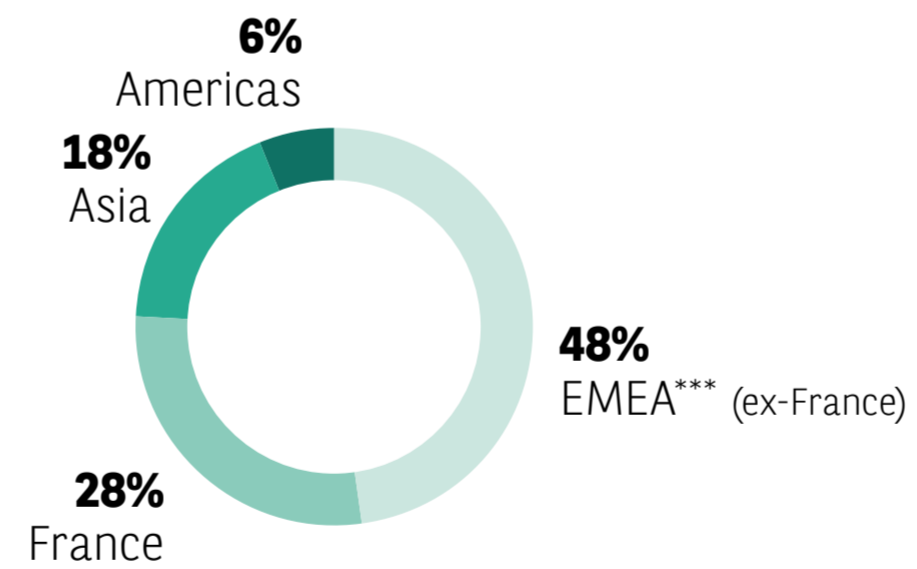
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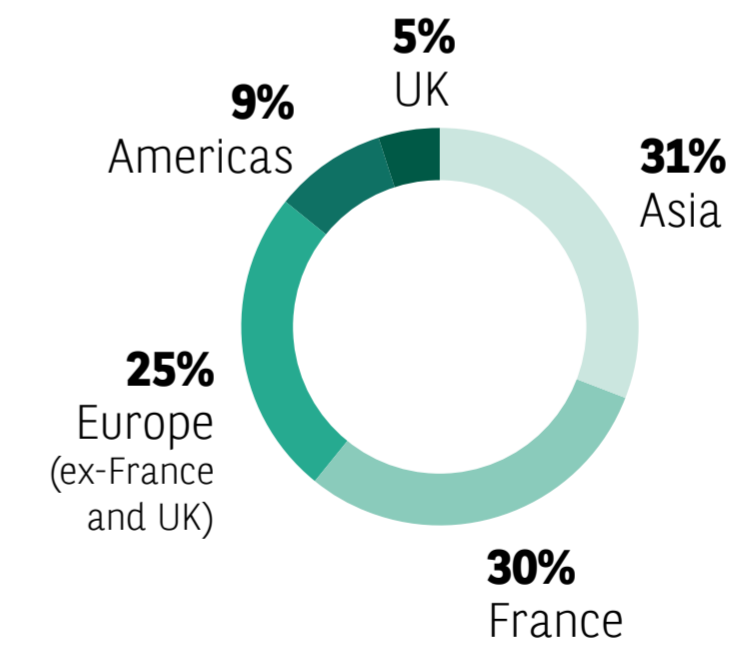
CLIENT TYPES**



CLIENTS



EMPLOYEES



Joint ventures included in the figures. Figures may not add to 100% due to rounding.

* Asset Class Region. / ** Excluding investment in our own funds - €462bn. / *** EMEA: Europe (including UK), Middle East, Africa.

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.

Because understanding and supporting the transition to a sustainable economy is key for us, we have adopted a single-minded sustainability approach. It shapes our firm and guides what we do: our strategy, our culture, our structure, our products, our processes, 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:**

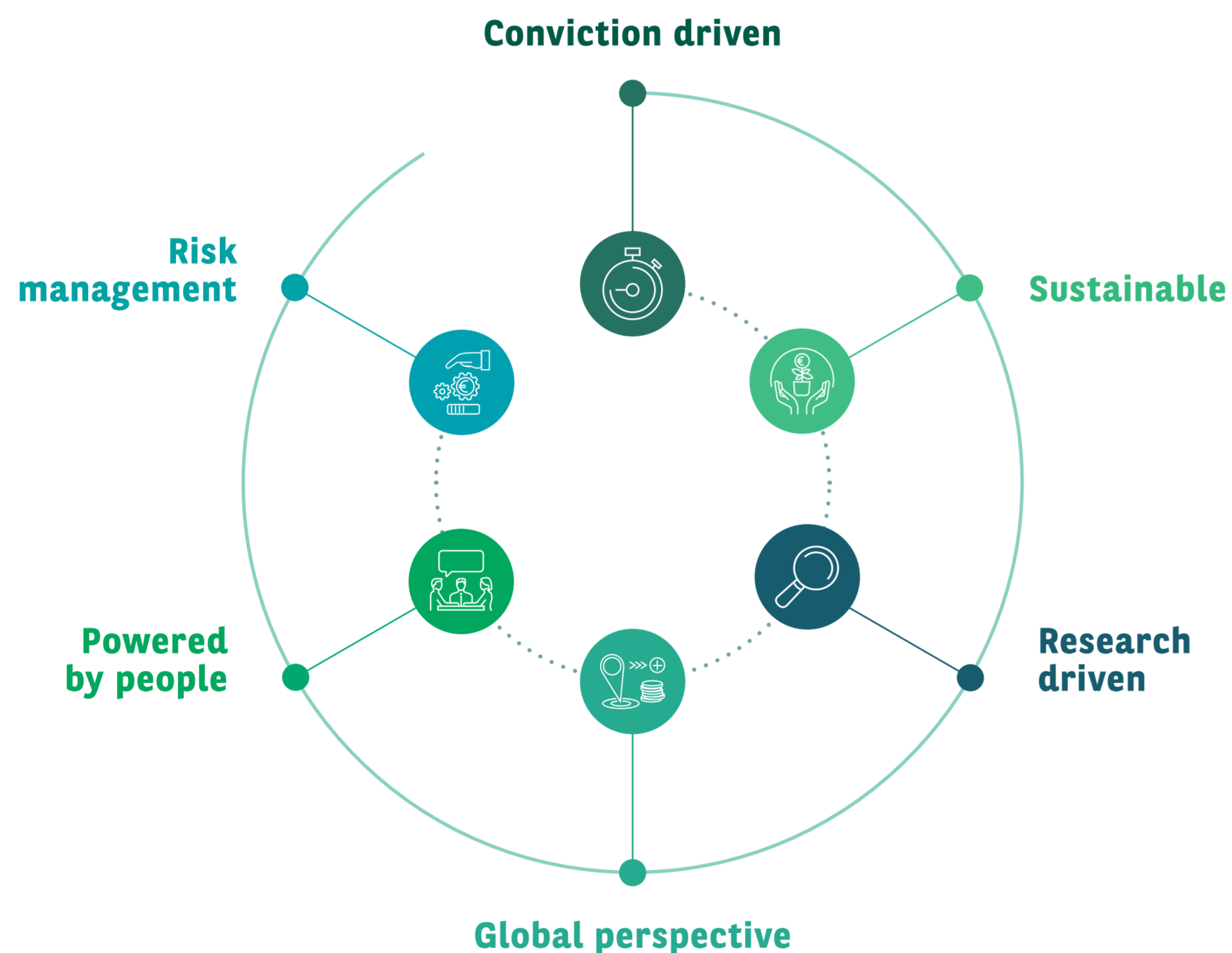


[View biographies](#)



OUR STRATEGY

SUSTAINABILITY IS A CORE INVESTMENT BELIEF



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, 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 into our investment processes. We believe this will result in better outcomes for our clients and the planet.



Research driven

Research is the foundation on which we build our market views to support our convictions. We apply both



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,



Risk management

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

nurturing, and retaining our diversity of talent. We align incentives to our clients' long-term sustainable objectives.

OUR CULTURE

At BNP Paribas Asset Management, we know about potential. The potential for sustainability to change the world while achieving long-term sustainable returns for our clients.

But for us, the greatest potential is in people. Today, we all seek to make an impact through our work. At BNPP AM, this is at the heart of what we do; **our people are proud of the impact they make, notably through our contribution to a better future.**

We believe that **our people make the most meaningful impact on the world** when they are living up to their full potential. That is why we have built a culture of empowerment that helps discover the potential within each of our employees, nurtures it, and lets it flourish and make an impact on the world.

WE ARE BUILDING A **CULTURE OF EMPOWERMENT** THAT HELPS DISCOVER THE POTENTIAL WITHIN EACH OF OUR EMPLOYEES, NURTURES IT, AND LETS IT FLOURISH AND **MAKE AN IMPACT** ON THE WORLD.

2022: a new articulation of our employer promise

In 2022, to reflect our new reality born out of the transformation of our company over the past five years, **we have worked with many employees to evolve our employer promise.**

The mandate we set for ourselves was for it to be **authentic and memorable** so that it could be a tool to attract, retain and transform.

A promise that conveys the kind of company we are: **dedicated to people and sustainability** and where each employee can unlock their potential.





BUILDING SUSTAINABILITY INTO OUR CULTURE

CONTEXT

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.**

ACTIVITY

We have a pillar within our approach to sustainability on 'walking the talk', which includes dedicated internal resources responsible for helping to build a culture of sustainability within our organisation. **In 2022, we went one step further and built sustainability and impact directly into our employer promise.**

OUTCOMES

We include questions about our culture and strategy in our employee engagement surveys and we ask these questions annually to track our progress. In 2022, the responses continued to be overwhelmingly positive, with **91% of respondents saying it is important to them that we become a fully sustainable asset manager and 73% of respondents could see how their role supported our commitment to sustainability, which is a 1% increase over last year.** 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 to maintaining our leading position on sustainability*.

91%
of respondents say it is important to them that we become a fully sustainable asset manager

73%
of respondents could see how their role supported our commitment to sustainability

* 2nd in Europe for active sustainable thematic strategies, according to an analysis made by BNP Paribas Asset Management based on Morningstar data as at 31/12/2022.

AWARDS

RECOGNISED FOR OUR EXPERTISE: 77 AWARDS WON IN 2022, INCLUDING 48 RESPONSIBLE INVESTOR AWARDS



Pan-Europe

- European Pensions Awards: **ESG/SRI Provider of the Year**
- Environmental Finance, Sustainable Investment Awards: **ESG Investment Initiative of the Year**
- ESG Clarity Awards: **Best Diversity / Corporate Culture Initiative**



APAC

- The Asset Triple A Sustainable Investing Awards: **ESG Asset Management Company of the Year** (Asia, Malaysia)
- Asian Investor Asset Management Award 2022: **ESG Excellence Awards - Best Environmental Investment Strategy Adviser** (APAC)

- Asia Asset Management Best of the Best Awards: **Best Application of ESG** (Hong Kong), **Best ESG Engagement Initiative** (Hong Kong), **Best ESG Manager** (Malaysia)
- InsuranceAsia News Institutional Asset Management Awards 2022: **Best ESG Thematic Strategy - Biodiversity**



People

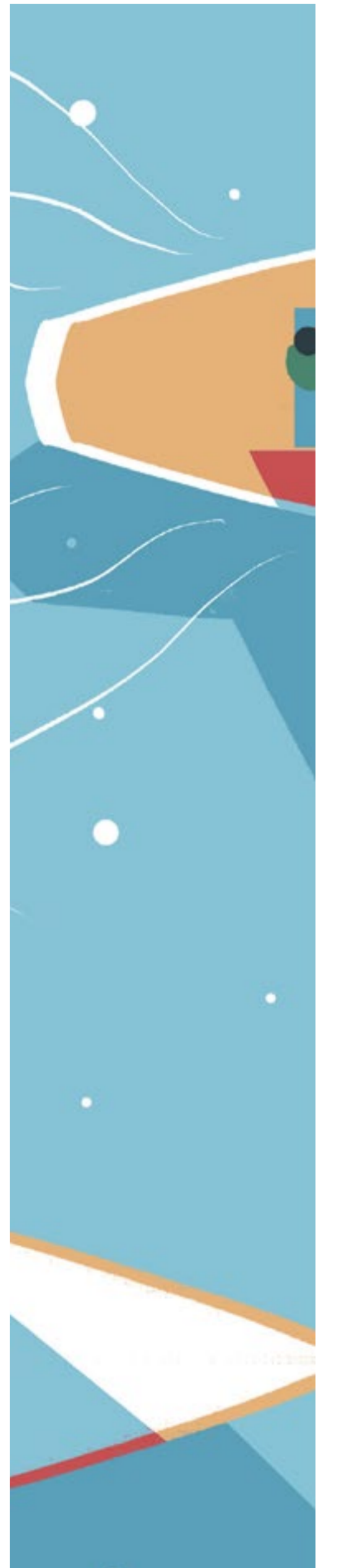
- Financial News, Fifty Most Influential in Sustainable Finance, **Michael Herskovich**
- Financial News, 25 Rising Stars of Fund Management, **Thibaud Clisson**
- Financial News, 100 Most Influential Women in Finance, **Jane Ambachtsheer**
- Impact Awards 2022, Young professional of the year/rising star, **Bérénice Lasfargues**





COLLECTIVE INSIGHTS

Expert views on three
key topics: climate, biodiversity
and geopolitics.



● CLIMATE TACKLING THE CLIMATE EMERGENCY REQUIRES A SOCIALLY JUST TRANSITION

The world is not equal under climate change, as both its impacts and the resources needed for mitigation and adaptation are unequally distributed. But for active investors, capital markets could be a force for climate justice.



Alexander Bernhardt
Global Head of Sustainability Research



Thibaud Clisson
Climate Change Lead

The 27th Conference of the Parties, or COP27, held in Sharm el-Sheikh last December, saw a small breakthrough on the central climate justice issue with an agreement to establish a [‘loss and damage’](#) fund, paving the way for the Global North to support the Global South in fighting climate change and mitigating its impacts.

The Intergovernmental Panel on Climate Change (IPCC) estimates 3.3 billion people already live in climatically vulnerable areas. The private sector can play a large role in financing a just transition and climate adaptation in

communities that need it. For investors, this means, among other actions, ensuring social factors are integrated into capital allocation and stewardship activities or investing in social bonds.

RENEWABLES IN DEVELOPING COUNTRIES

While COP27 underwhelmed on emissions commitments, the conference placed capital markets in the spotlight, underlining their potential contributions to financing a just transition that supports adaptation in developing countries. Among possible approaches, blended

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Rich nations have traditionally pushed back against loss and damage to avoid debates around climate change blame and liability, but the tide appears to be turning. There is growing pressure for the Global North to acknowledge the role it has played in changing the climate and provide recompense to the Global South.”

Alexander Bernhardt

finance – a mix of public and philanthropy-backed finance alongside private capital – could be one way.

Indonesia signed a USD 20 billion agreement with developed countries and major international lenders to help it transition away from fossil fuels and towards renewable energy sources. The Just Energy Transition Partnership (JETP) deal is an important step for the country as it is the world’s third-largest coal producer.

South Africa, another developing country with high coal production, was the first nation to sign a JETP deal, swiftly followed by Vietnam. India, the

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JETP deals not only aim to reduce power sector emissions and accelerate the energy transition in coal dependent countries. They also help support economic growth, create new skilled jobs, reduce air pollution, and contribute to a resilient, prosperous future.”

Thibaud Clisson

Philippines and Senegal will be watching how these deals progress as they are considering signing similar agreements.

INVESTOR ENGAGEMENT FOR THE PLANET AND FOR OUR HEALTH

The Agriculture & Food sector was another major focus addressed during COP27. It poses several challenges relating to justice: the current food system generates 37% of global emissions*, yet one third of food is wasted while hunger persists in the Global South and food insecurity is prevalent even among poorer populations in middle

and high-income countries. To deliver the essential global transition to net zero emissions, food systems must undergo their own transition. This means substantial shifts in diets towards plant-based and alternative proteins, more efficient supply chains generating less methane and waste, and reducing deforestation, also called ‘the new coal’. Today’s unsustainable food practices also carry increasing financial, regulatory, or reputational risks.

* Source: [NewScientist](#).

CLIMATE



The successful transition of food and land use systems depends on a host of actors working together, including investors. We must not only shift to live within the planetary boundaries but also redress the inequity created by the current system in relation to access to adequate healthy diets.”

Rachel Crossley



Rachel Crossley
Head of Stewardship – Europe



Paula Meissirel
Stewardship Analyst



Laurence Caron-Habib
Head of Public Affairs



For now, Say-on-Climate is voluntary. This leaves companies free to decide on the best strategy. Eventually, it may become regulated, much like climate-related disclosures.”

Paula Meissirel



Regulation is still evolving, yet the guiding principle remains one of greater transparency, which is key to building investors’ confidence.”

Laurence Caron-Habib

SAY-ON-CLIMATE MANAGEMENT PROPOSALS GROWING WORLDWIDE

Tools are emerging to take action on climate priorities, including in the field of traditional corporate governance. Initially promoted by Non Governmental Organisations (NGOs) and investors, the practice of Say-on-Climate proposals has been growing in popularity among companies in the last two years.

Aiming to offer a shareholder consultative vote on the corporate climate strategy and/or report, and to enhance

climate-related shareholder dialogue, those ballot measures are more and more voluntarily added by companies to their Annual General Meeting (AGM) agendas. The practice however remains at an early stage, with only 2% of global AGMs presenting Say-on-Climate votes within our 2022 voting perimeter. It is still uncertain whether the practice is going to generalise, and some investors suspect these management proposals could create a distraction from effective climate action. Despite differing viewpoints, and considering

the current multitude of corporate approaches, a common framework is needed to facilitate a global understanding and alignment of Say-on-Climate proposals.

MARKETS NEED TRANSPARENCY, CLIENTS NEED CLARITY

COP27 also heralded increasingly high disclosure and reporting standards, notably the 2023 launch of the [Net-Zero Data Public Utility](#) (NZDPU) data repository, and the CDP’s planned integration of IFRS 2 standards in 2024. While navigating the flurry

of regulations can be challenging, they are moving in the right direction. The adjustment period will be challenging in the short term for capital markets as various Sustainable Finance Disclosure Regulation (SFDR), European Union Taxonomy and MIF2 (Markets in Financial Instruments 2) dispositions come into effect before they are fully aligned. In Q4 2022, Article 8 & Article 9 funds gathered €15.8bn while Article 6 funds dropped by €3.3bn*, showing the market’s strong appetite remains. Asset managers have a key role to play in providing

clarity to clients and investors, so their preferences translate into concrete results that contribute to a more just and sustainable global economy.

* [Morningstar Direct](#).

THE CURRENT FOOD SYSTEM GENERATES

37%

OF GLOBAL EMISSIONS (SOURCE: NEWSIDENTIST)

3.3

BILLION PEOPLE ALREADY LIVE IN CLIMATICALLY VULNERABLE AREAS (IPCC ESTIMATION)

● BIODIVERSITY

CLOSING THE BIODIVERSITY FUNDING GAP: A CALL TO INVESTORS

Over 50% of global Gross Domestic Product (GDP) is 'moderately or highly dependent' on nature and ecosystem services, according to the [WEF New Nature Economy Report 2020](#). Capital markets are called upon to act.



Robert-Alexandre Poujade
Biodiversity Lead

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Funding biodiversity will not only help species and ecosystems to recover, this is also important to maintaining the world economy and reducing social injustice.”

Investors showed up in numbers at the COP15, the Conference of the Parties on Biodiversity, a new but fitting development as negotiators stressed the urgency of investing to halt and reverse nature loss by 2030. While the annual biodiversity financing gap is pegged at USD 700 billion, according to the Paulson Institute [‘Financing Nature’ report](#), the cost of inaction is higher still: a collapse of ecosystem services would

cause annual losses estimated at USD 2.7 trillion by 2030, with some of the poorer countries hit the hardest, according to the World Bank. Much like climate mitigation, the scale of the challenge makes a case for blended finance. Investors can also act via biodiversity funds (a small but growing segment), carbon markets and biodiversity credits. Investor stewardship – engaging both corporates and governments – will also be critically important.

APPLYING CLIMATE LESSONS TO BIODIVERSITY

How then should investors approach biodiversity conservation? At COP15, parties took a non-binding but important step towards more transparency, agreeing to [call on](#) governments to take measures to encourage businesses to disclose their biodiversity risks, dependencies and impacts. Turning disclosure into decision-useful data,

however, will require reliable biodiversity indicators.

Going forward, investors can glean valuable insights from their experience with climate indicators:

- Biodiversity risks should be quantified with clearly expressed metrics (e.g. Mean Species Abundance, km²), designed to allow investors to understand each company’s impacts on nature as well as their dependencies. Impacts and dependencies must be separated.

WILDLIFE POPULATIONS HAVE DECLINED BY

69%

ON AVERAGE BETWEEN 1970 AND 2018 ACCORDING TO THE WWF [LIVING PLANET REPORT 2022](#)

109

MILLION TONNES OF PLASTIC WASTE HAVE ACCUMULATED IN RIVERS ACCORDING TO THE OECD [GLOBAL PLASTICS OUTLOOK](#)

• BIODIVERSITY



Valérie Charrière-Pousse
Deputy Head of European Large Cap Equities



Adam Kanzer
Head of Stewardship – Americas

- Effective action requires specific goals. Science has set an ambition to reverse nature loss by 2030. Investors can adopt biodiversity roadmaps e.g., prioritise key biodiversity topics such as reducing plastic pollution or deforestation, but they need a combination of Environmental, Social and Governance (ESG) data, stewardship and capital allocation to meet their goals.
- Nature loss represents a systemic risk. As such, engagement must be done to reduce the drivers of nature loss, guided by the best available science.

Portfolio management techniques alone will not protect from these risks. Effective stewardship, including public policy advocacy, will also be necessary.

OPPORTUNITIES FOR ASSET MANAGERS

Momentum is building in the investment sphere, backed by cross-sectional initiatives such as CDP or Nature Action 100. This opens opportunities for investors to actively engage with companies across supply chains, especially the biggest polluters – whether via corporate engagement

or policy advocacy. Incentivising companies to reduce their biodiversity footprints and work to reverse nature loss by 2030 is fully in line with the fiduciary role enshrined in the Principles for Responsible Investment (PRI). Preserving nature is in everyone’s interest.

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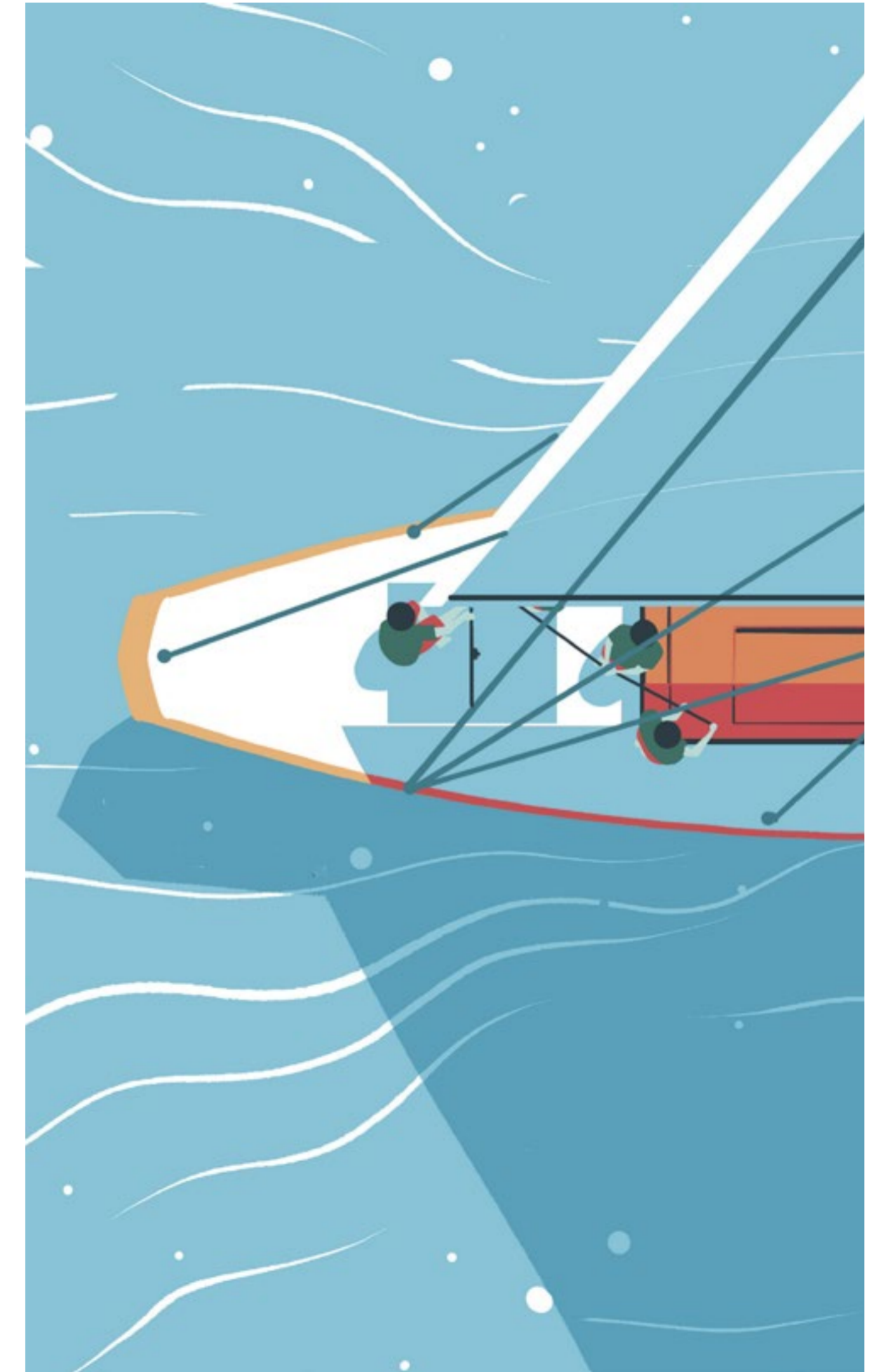
Investors can and should support consistent regulation, especially through an open innovation approach focused on quality data. They will be better equipped to engage with, and evaluate, the companies in their portfolio.”

Valérie Charrière-Pousse

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The collapse of nature will touch every aspect of our lives and our economies. We must act now to end deforestation, but we must go further, engaging on all key drivers of nature loss, which include climate change, land use change, exploitation of species, invasive species and pollution, including chemical and pesticide use.”

Adam Kanzer



● GEOPOLITICS

RECONCILING RESPONSES TO SHORT-TERM CHALLENGES WITH THE LONG-TERM GOALS OF SUSTAINABLE INVESTING

Climate, geopolitics and macroeconomic factors combine to make instability a constant rather than a break from the norm – at least for a while. Sustainability remains the best long-term prism to understand crisis factors and anticipate a low-carbon, environmentally sustainable and inclusive economy. Challenges may be interconnected, but so are the solutions.



Jane Ambachtsheer
Global Head of Sustainability

The integration of Environmental, Social and Governance (ESG) factors is here to stay, as shown by the growth of sustainable investment regulations from below 50 in 2015 to more than 500 today*. Investors that are signatories to PRI (Principles for Responsible Investment) combined now manage over USD 100 trillion in assets. The efforts of the PRI and other industry groups have been instrumental in putting to bed the fiduciary duty debate. The relevance of sustainable investing as a secular growth driver should no longer be in question and is integral to navigating



Alexander Bernhardt
Global Head of Sustainability Research

this environment, with opportunities for active managers. When disruption reigns, we need effective mediating institutions more than ever to continue ESG integration and bring about regulation conducive to investing the trillions needed to meet Sustainable Development Goals (SDGs) worldwide. Investors must join the conversation in times of crisis response and beyond, to advocate for regulation that is constructive and consistent on a global scale.



What we can now say with some certainty, based on PRI research, is that ESG integration at corporate and fund levels more often than not leads to better financial outcomes**."

Jane Ambachtsheer & Alexander Bernhardt

SHORT-TERM REACTIONS SET THE LONG-TERM AGENDA

The war in Ukraine and its consequences are a case study in interconnected challenges – from climate change to energy security and inflation. In 2022, energy supply shocks rocked global commodity prices and inflation, forcing Europe to rethink its energy policies. As a result, European countries chose to diversify energy supplies by including more gas and coal as a stopgap, a move that could extend reliance on fossil fuels. For the European Union (EU) to reach its climate targets, this temporary measure

must be just that. Better still would be to value low-carbon projects short term to increase future resilience. Not only is clean energy infrastructure faster to develop than thermal or nuclear, it reinforces security of supply while being deflationary. This logic can be seen at work in the US Inflation Reduction Act, which includes nearly USD 400 billion in incentives for clean energy programmes. Sustainable investing must look long term but act 'right now'. The past year has shown

* Source: Preqin.

** RI Quarterly vol.10 Jan. 2017, PRI Academic Research.

● GEOPOLITICS

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The wide scope of the EUR 2 trillion NextGenerationEU recovery plan speaks to an understanding at the highest levels of decision-making that we need not only a greener, but also more digital and more resilient Europe.”

Maya Bhandari



Maya Bhandari
Global Head of Multi-Asset



Edward Lees
Co-Head of the environmental strategies investment team



Ulrik Fugmann
Co-Head of the environmental strategies investment team

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Examining the interconnections between drivers of previous industrial revolutions, and previous technological advances, can help assess the role and value of today’s: are they independent quick fixes or vital components in a new environmental infrastructure?”

Edward Lees & Ulrik Fugmann

this approach can be difficult to translate into policy for regulators.

REGULATION AS A VIRTUOUS CIRCLE

Carbon pricing schemes, which are meant to disincentivise greenhouse gases (GHG) emissions, illustrate this issue. As EU-ETS (European Union Emission Trading System) prices surged in 2022, the European Commission responded by providing financial aid to participants in the scheme and including EUAs (European Union Allowances) in the financing of the RePowerEU plan.

While understandable under current political constraints, such choices reflect the idea that, when crisis strikes, short-term relief warrants a trade-off against long-term sustainability goals. This needs not be the case.

Another approach is to embrace, not avoid, the rising carbon prices and their positive externalities. European regulation could go further by taxing cross-border emissions, which would level the playing field for companies subject to EU-ETS rules while pushing exporting markets to develop their own carbon tax. Meanwhile, EU companies

that decarbonise first will gain a competitive edge by selling increasingly valuable allowances. Citizens should be encouraged to join these efforts, for instance through incentives to electrify, which would nicely synergise with the initiatives above.

Overall, climate change mitigation requires structural changes and ambitious policies reflecting the fact that we live in an interconnected world. As such, it cannot be separated from geopolitics, food security, biodiversity loss or even public health: 58% of infectious diseases confronted by humanity worldwide have

been at some point aggravated by climatic hazards according to [Nature magazine](#). Investors can contribute to this dynamic through stewardship, but most importantly by investing in the key technological drivers for a resilient future economy.

FINANCING THE ‘INTERCONNECTED RESILIENCE’ INFRASTRUCTURE

Sustainability and efficiency are core to the promise of ‘Industry 4.0’. As with previous industrial revolutions, it will emerge on the back of an infrastructure platform – based on such advances as the smart

factory, autonomous systems, 3D printing and machine learning. Combining these technologies could allow capacity and resources to be used ever more efficiently, and usher in a sharing economy based on ‘open source’ approaches to information and innovation.

One must be careful not to dismiss this new paradigm. Throughout history, the assumption that disruptive products and services would retain high marginal costs and linear growth has been disproven. To wit, in 2012 the International Energy Agency (IEA) expected global solar

energy generation to reach 550 TWh in 2030 – it exceeded 1,000 in 2021.

Despite these promises, investors who seek to join this new paradigm face several imperatives, which are not without challenges. The first is to understand the breadth and the inter-relatedness of challenges and opportunities ahead. The second is to identify companies that will survive and prosper, not just rising trends. The third relies on conviction: targeting positive environmental outcomes within an unconstrained approach to investment.

58%

OF INFECTIOUS DISEASES CONFRONTED BY HUMANITY WORLDWIDE HAVE BEEN AT SOME POINT AGGRAVATED BY CLIMATIC HAZARDS ACCORDING TO [NATURE MAGAZINE](#)



OUR APPROACH

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



EDITORIAL



Jane Ambachtsheer
Global Head of Sustainability

Sustainability is embedded at the heart of our investment strategy and 2022 was a dynamic year for sustainability-focused investors. Markets were impacted by the conflict in Ukraine, concerns about energy security and rising prices. At the same time, investors needed to manage the complexities of implementing the latest phase of the Sustainable Finance Disclosure Regulation (SFDR). Against this backdrop, we stayed focused on our mission: delivering sustainable returns to our clients.

Indeed, increasingly, we find that our clients share our passion for sustainability, engaging with us in discussions about our net zero roadmap, asking for our insights on biodiversity, or exchanging approaches on how to catalyse greater diversity within investee companies. This is not an accident: our clients increasingly choose to work with us in part based on our sustainability credentials. This, in turn, reinforces our commitment to evolve our ambition, processes and results.

Over the past year, we made significant progress on several fronts,

as I hope the pages of this report demonstrate. We also strengthened our ties across the BNP Paribas organisation, itself a rich source of sustainability ambition and intellectual capital. One example is the newly unified Private Assets business unit within Asset Management, which brings together teams focused on corporate financing, real assets, and private market funds, using sustainability as a guiding principle.

Looking ahead, we are excited to launch the sequel to our Global Sustainability Strategy, published in 2019, later this year. It will focus on our core differentiators: putting sustainability at the heart of our culture; exercising a bold stewardship strategy; and utilising a science-based, transparent approach to sustainability research and implementation. Our implementation of SFDR reflects this. Over the coming three years, we are also prioritising the evolution of our impact investing methodology and offering, as well as the way we approach investing in emerging markets – where significant opportunity exists to drive sustainable

outcomes. Finally, our strategy looks inward, exploring how we can continue to support our teams with training on sustainability (a topic discussed in this report), communicate clearly to clients about our sustainability activities, and evolve our state-of-the-art Environmental, Social and Governance (ESG) data and research platform. We are pleased to see growing industry recognition for our work, from being ranked first in the study *'Fulfilling the Promise'* conducted by Majority Action to ranking 2nd among the world's 77 largest asset managers across responsible investment themes in ShareAction's *'Point of No Returns report'*, to receiving numerous awards such as the best ESG/SRI Provider

of the Year by European Pensions. We are also happy to solidify our position in the sustainable thematic market (2nd Sustainable thematic active asset manager in Europe as of 31 December 2022). We also continue to focus on integrating ESG in our funds offering, with 89% of our open European range currently classified as Article 8 or 9 under the SFDR as of December 2022. By embracing our role as a future maker: we work hard, to understand how the world is evolving, and to use our influence to shape a future that will best serve our clients. We look forward to continuing this partnership and welcoming new clients to our firm in 2023.

Thank you for your trust.

**WE FIND THAT OUR CLIENTS
SHARE OUR PASSION
FOR SUSTAINABILITY.**

THE 6 PILLARS OF OUR APPROACH

Our approach to sustainability is built on six pillars. Together, this approach strengthens the way we invest, including how we generate investment ideas, construct optimal portfolios, control for risk and engage with companies and markets. It is designed to respond to the diverse needs of our broad client base while protecting their interests.



*3Es: Energy transition, Environmental sustainability, Equality and inclusive growth.

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 philosophies.

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

During portfolio construction, ESG factors can be used to screen companies, overweight or underweight positions, or tilt portfolios. For example, 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 all risks into consideration, including ESG and sustainability risks.

Our proxy voting activity is led by our stewardship team, which liaises with portfolio managers to seek input on strategic votes.

Engagement on governance and sustainability topics is typically also led by our stewardship team, while investment teams include ESG topics in their ongoing company meetings.

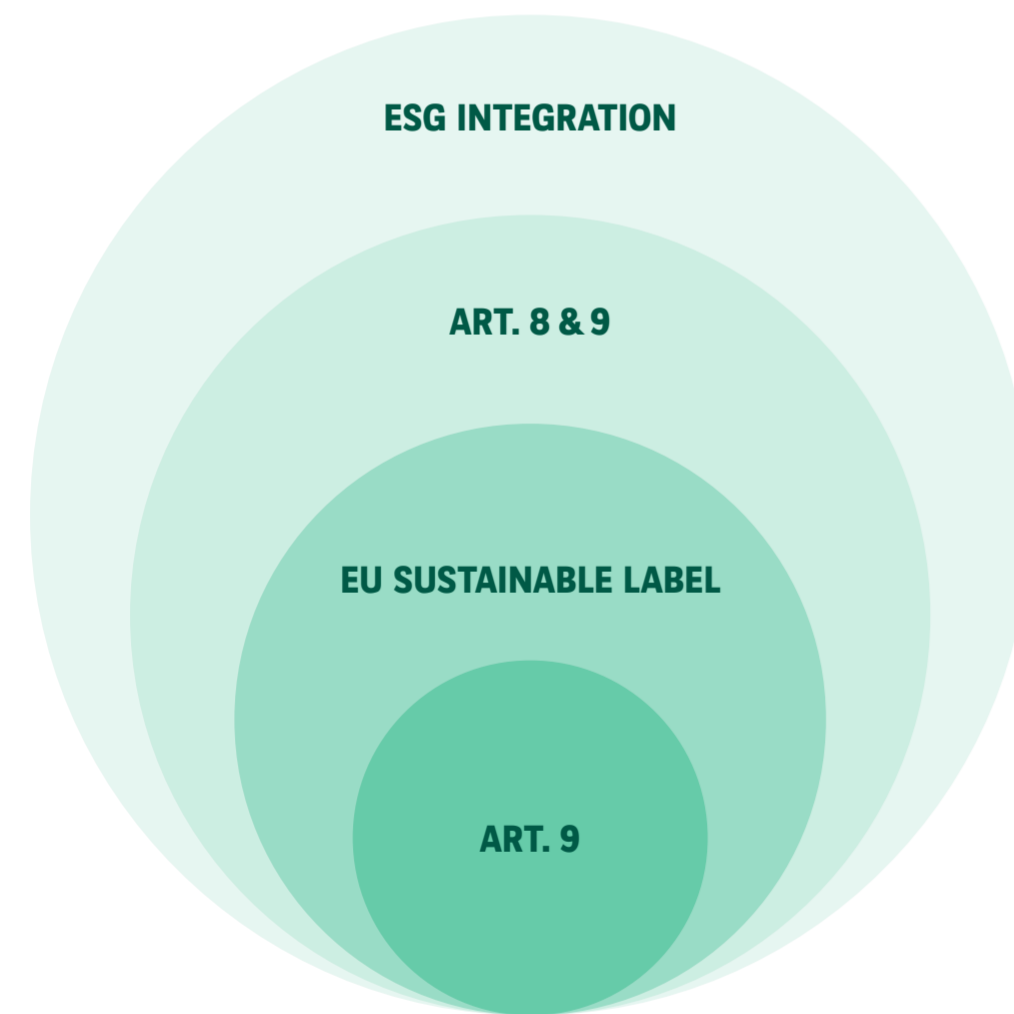
Per our ESG Integration Guidelines, we monitor the ESG score and carbon footprint of investments against their benchmarks with the aim of outperforming on each. Our fund reports contain two Key Performance Indicators (KPIs) so that clients can better understand the impact of their portfolios.

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

THE 6 PILLARS OF OUR APPROACH

PRODUCT CLASSIFICATION

Our goal is to apply a consistent approach to classifying our products: the ESG attributes of our products are reflected in product-level legal documentation, providing enhanced transparency for our clients.



€306.8bn integrating ESG criteria

Applying a constraint qualifying for Art. 8 & 9 or applying BNPP AM RBC (exclusion policy).

€235.9bn 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 funds' legal documentation.

€121.9bn with an EU sustainable 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.

€20bn Article 9 under SFDR

Having a sustainable investment objective.



We are continuously adapting our product range to further integrate sustainability criteria. We adopt regulation while answering diverse and changing client needs. The challenge is to bring consistency across our product range, while integrating the evolving market and regulatory standards."

Pierre Moulin

Executive Committee Member and Global Head of Products and Strategic Marketing



SUSTAINABILITY GOVERNANCE

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

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

It also means that the knowledge and unique perspectives of different investment teams and functions can be leveraged and deployed appropriately.

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

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

On an operational level, it is an effective mechanism to ensure that our policies and processes are aligned with our purpose and that continuous communication among stakeholders takes place.

BNPP AM EXECUTIVE COMMITTEE

Strategic oversight of sustainability approach

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

SUSTAINABILITY COMMITTEE

Oversees and validates our approach to sustainability

CEO (Chair), Investment Committee members, Global Head of Products and Strategic Marketing, Global Head of Sustainability, Global Head of Sustainability Research, Global Head of Stewardship, Head of Global Client Group, Global Chief Marketing Officer, Head of Brand and Communication

INVESTMENT COMMITTEE

Approves sustainability methodologies and monitors ESG integration

Global Head of Investments (Chair), CIOs of each Investment division, Global Head of Sustainability, Head of Global Trading Function, Head of Macro Research, Chief of Staff to the Global Head of Investments

STEWARDSHIP COMMITTEE

Reviews voting and engagement implementation

CEO, Global Head of Investments, Equities CIO (Co-Chair), Fixed Income CIO, MAQS CIO, Global Head of Sustainability (Co-Chair), Head of Global Client Group, Head of Compliance, Global and Regional Heads of Stewardship

BNPP AM FRANCE BOARD

Approves Proxy Voting Policy and Sustainability Report

BNPP AM management and an independent director

GLOBAL PRODUCT COMMITTEE

Approves sustainability characteristics of products

Global Head of Products and Strategic Marketing (Chair), Head of Product Strategy, representatives from Compliance, Risk, Legal, Investments, Sustainability Centre, Global Client Group and Marketing

EXECUTIVE CSR COMMITTEE

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

CMO, COO, Global Head of HR, Head of Brand and Communication, Head of Sales Europe, Head of Corporate Social Responsibility (Chair)



SUSTAINABLE REGULATION PROJECT

Global Head of Products and Strategic Marketing (Co-Chair), Global Head of Sustainability (Co-Chair), members from various other departments.

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

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

PEOPLE

We believe that our people make the most meaningful impact on the world when they are living up to their full potential. We do this by focusing on building a culture of empowerment and a work environment that is inclusive and inspiring. In addition to this, we believe that through our objective to embed sustainability in what we do – not only in our investments, but also in our people processes, in our operations and in other aspects of our business – we can build a culture of sustainability that will help us to more authentically deliver on our business strategy.

A STRONG TEAM WITH DIVERSE BACKGROUNDS...

- Consulting
- Advocacy and policy
- Non Governmental Organisations (NGOs)
- Intergovernmental organisations
- Rating agency
- Mainstream investments
- Sell-side analysis
- Sales and marketing
- Industry experience

... AND A NETWORK OF 150+ ESG CHAMPIONS

SUSTAINABILITY CENTRE

The Sustainability Centre is a well-resourced team of sustainability specialists who drive our approach to sustainability. 2022 saw the addition of new roles in the team, including an ESG Specialist to focus on private assets and a CSR Project Manager to help us implement employee- and community-focused CSR initiatives.

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 BNP Paribas Asset Management's (BNPP AM) impact and progress on sustainability.

The ESG research team within the Sustainability Centre provides investment teams with research, analysis and data at company and sectoral levels. 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. More than half of the team members identify as women and we have team members located in Boston, Hong Kong, London, New York, Paris and Singapore. This means they not only bring

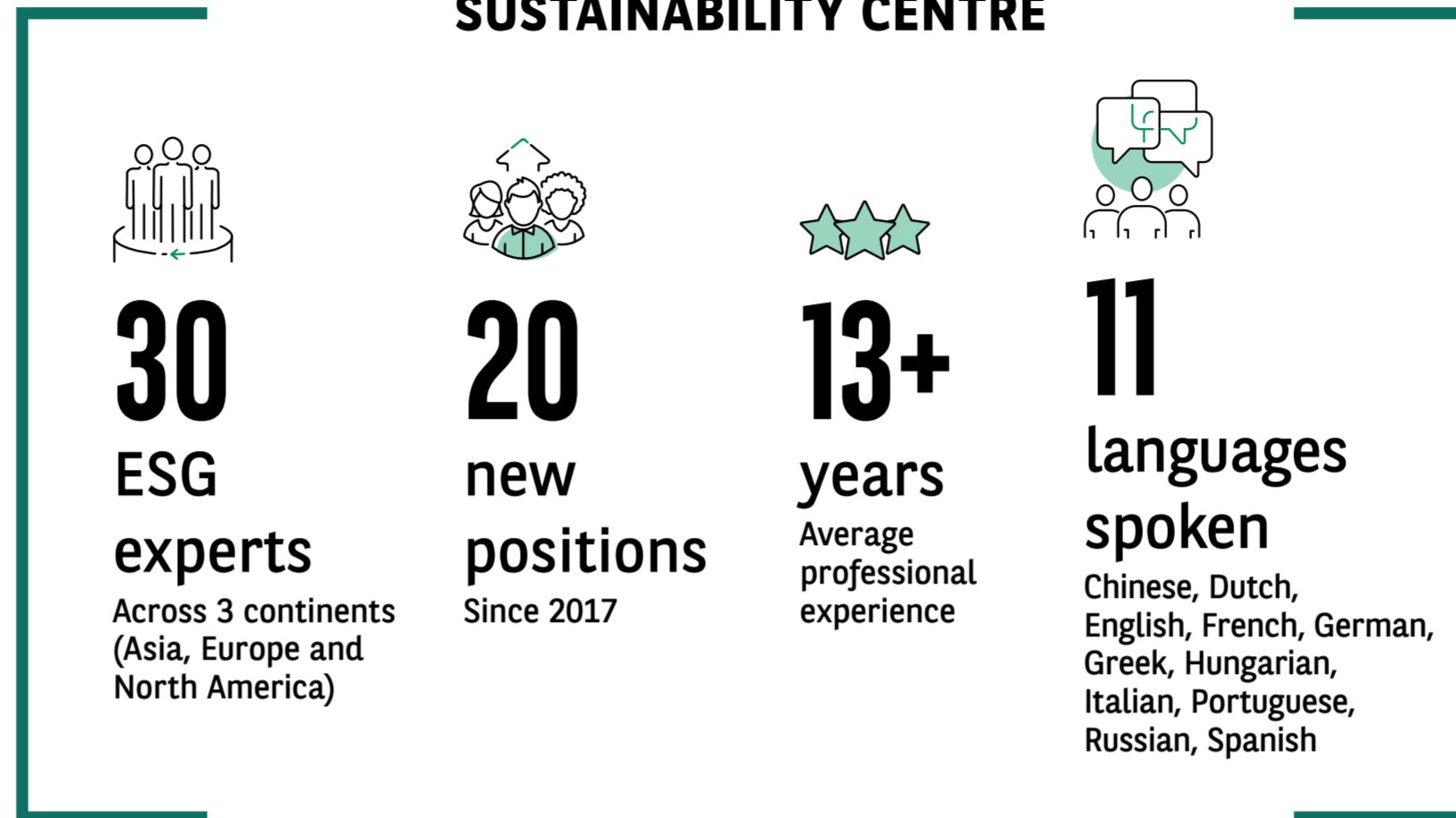
regional expertise to the global team, but they are also able to work closely with local investment and sales teams.

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 comprises **over 500 employees** and since its inception in late 2021, it has hosted

SUSTAINABILITY CENTRE



27 webinars on a wide range of sustainable finance-related topics, with over 3,000 participants attending.

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. They are subject matter experts within their investment or sales teams, pursue specialised education and have performance objectives related to their responsibilities.

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

Topics covered in 2022 include:

- Updates to our various ESG-related scoring frameworks.
- Upcoming regulatory changes, including the Sustainable Finance Disclosure Regulation (SFDR) and Markets in Financial Instruments Directive (MiFID).
- Our Net Zero Roadmap and the biodiversity footprint of our portfolios.
- Outcomes of United Nations Framework Convention on Climate Change (UNFCCC) COP27 and United Nations Convention on Biological Diversity (UNCBD) COP15.
- Overview of our 2022 voting strategy, outcomes from the 2021 voting season and updates from the proxy voting committee.
- Review of our ESG data strategy.

PEOPLE



PROFESSIONAL DEVELOPMENT: SUSTAINABILITY ACADEMY @AM

CONTEXT

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

ACTIVITY

We are investing significantly in ensuring that our employees have the most current knowledge on sustainability issues. In 2022, we formalised our approach to sustainability education by developing a sustainability education strategy and launching the Sustainability Academy @AM.

This involved developing **six different training paths** for our employees depending on the level of sustainability knowledge they require in their roles. Each training path requires between 4 and 15 hours to complete with certain employee populations needing to complete an external certification in addition to this. We rolled out these training paths

to all employees in 2022 and completion of the training was formalised into many of our employees development plans for 2023.

Some highlights from training we developed in 2022 include:

- Launching a [Sustainable Investing Primer e-learning](#) co-built with the CFA Institute to support the understanding of the importance of acquiring ESG skills. We integrated this into certain training paths as well as making it available to our clients.
- Making **Net Zero** the central theme of our annual three-day Investment Symposium, which focused on how net zero strategies can be further integrated and used within our portfolio.
- Designing a **three-hour workshop** for our Sales teams on our Global Sustainability Strategy.
- Embedding sustainability into our FAME (Financial & Asset Management Expertise) training curriculum and our Demystification series designed for a wide range of employees, focusing this year on climate change and sustainability regulations.
- Hosting a number of [Climate Fresk workshops](#) open to all employees. These interactive three-hour workshops are designed to teach the basic science behind climate change and actions individuals and companies can take to combat it.

OUTCOME

We are pleased with the level of uptake of the training strategy with employees spending on average 3 hours and 13 minutes on internal sustainability-related training in 2022.

In addition to internal training:

- **470 employees** have received a sustainable finance external 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 470 employees with external certifications, 17 employees** 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 in 2022, 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. In addition to this, **98 employees** completed an **8-hour online** version of the training.

We have added questions on sustainability skills to our most recent employee engagement survey and **77% 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 2023 to continue to keep them current. We also expect the percentage of employees completing their training paths to increase significantly in 2023 as we have recommended that employees add completion of training to their individual employee development plans or objectives.

470
employees
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finance external
certification

77%
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said they had
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of sustainability-
related training to
perform their role

INCENTIVES

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

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

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



We continue to push sustainability-related objectives to a number of key employees, including all investment teams' members and large portions of our sales teams as well as our ESG Champions.

Specific sustainability objectives were assigned to the following teams:

Executive Committee:

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

The Sustainability Centre:

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

Investment teams:

As part of the investment process, 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.

ESG Champions:

ESG Champions have been appointed within Investments and the Global Client Group 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.

Quantitative Research Group (QRG):

Members of this team co-develop ESG Scoring Research and monitor the link between ESG integration and investment performance. This is reflected in the objectives of this department, and communicated

to its members, where relevant.

Product and Strategic Marketing:

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

Risk function:

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

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

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

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

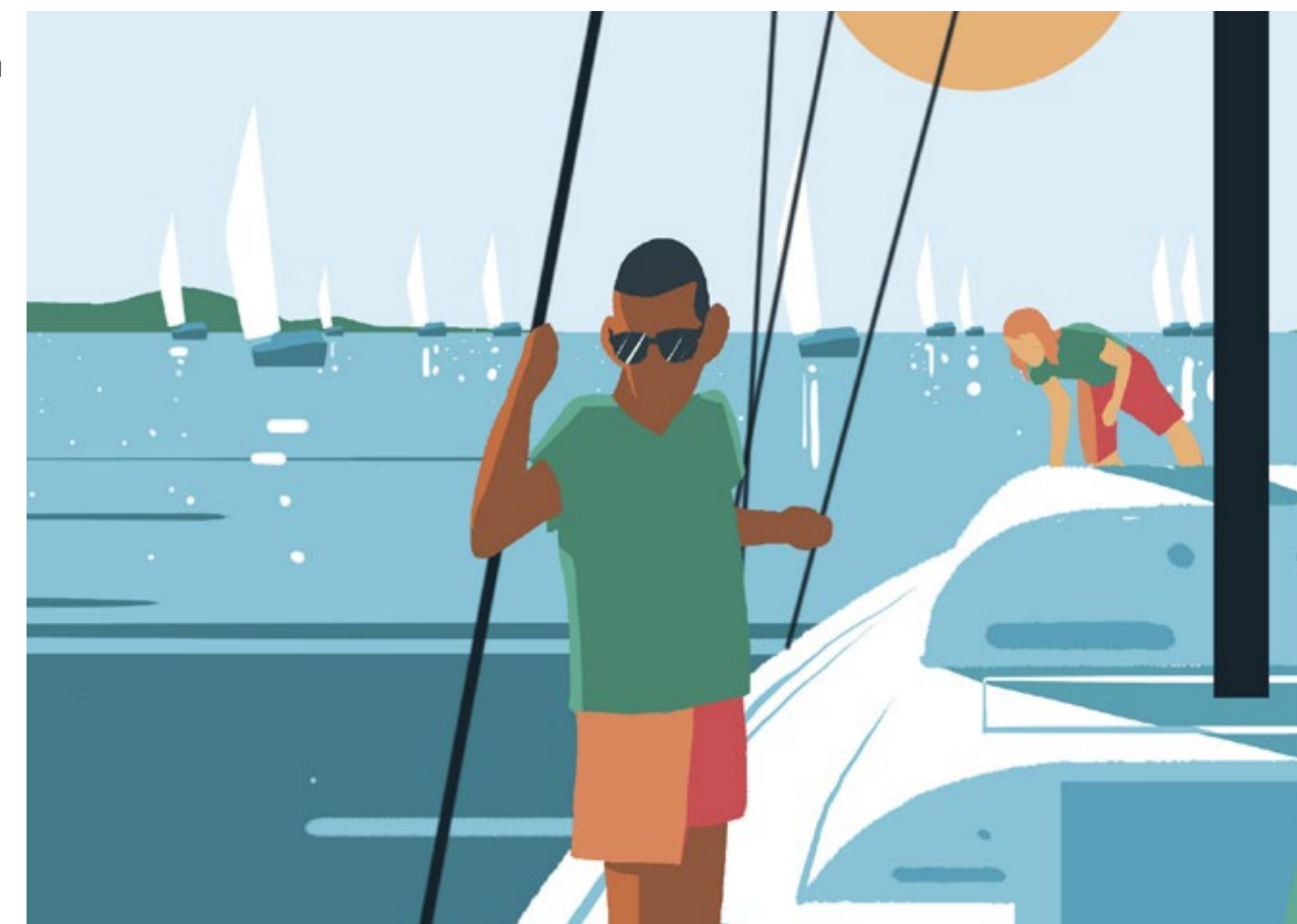
Employees are reminded of applicable policies and procedures during mandatory annual training and other training sessions during the year, and by regular communications of regulatory changes. In addition, as a matter of policy, procedures (including those related to conflict management) are regularly 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 is conducted periodically by the BNP Paribas Group and the results have been used to create Conflicts Registers for BNPP AM, which are maintained by our local Compliance teams. They contain details of actual or potential conflicts that may arise between BNPP AM and its clients (or between clients of BNPP AM).



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 records.
- Moreover, senior managers must take appropriate steps in their oversight of the business and are required to demonstrate their accountability, including conflicts of interest management.

CONFLICTS AND ASSURANCE

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.**

1

Our first line of defence, our core philosophy, is that **internal control is a matter for every BNPP AM employee**, whatever their hierarchical position or responsibilities.

The managers and their respective staff constitute the first line of defence. They are accountable, at each level of the organisation, for achieving the objectives and monitoring the risks of the businesses or services they operate or deliver.

2

Our second line of defence is provided by **entities exercising second level controls**, namely, risk, compliance, legal (integrated control function), Group tax and Group finance.

They are responsible for defining and implementing the management framework of accounting and financial information risk (non-integrated control functions).

3

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 2020-2021, the Sustainability Centre benefitted from a review of our processes by Inspection Générale, BNP Paribas Group's internal audit department, which provided us with second-party validation of our policies and processes.

We have also had a review by Inspection Générale in 2023, this time focusing on sustainability governance, communications, sustainability product definitions, and the control framework in place surrounding sustainability.

This approach provides us with an arms-length opinion of the validity of our policies and processes and helps to ensure our communications are fair, balanced and understandable.

REFLECTING CLIENT NEEDS IN OUR INVESTMENT SOLUTIONS

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

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

During the pitching process and the client onboarding process, we make an assessment of a client's investment policies and gain an understanding of their sustainability goals, including how they will impact investment risk and investment time horizons.

Then on an ongoing basis, we use a structured approach to engagement and contact management, with sales teams meeting with clients regularly to seek their views and ensure that we are being as effective as possible.

Through our client management system, managers can track any key themes emerging

from these meetings, including those related to investment needs. These themes are then discussed internally on an ongoing basis. Client Relationship Managers are tasked with following up with clients on their specific challenges or needs, sustainability-related or otherwise.

We also recognise that we have a role to play in bringing our clients along the sustainability curve. We do this largely through the training we provide them via our Investment Academy, created in 2009 with the purpose of sharing knowledge and expertise with our clients.

Classes have been delivered online and in-person, with over 15,500 people attending since inception.

We cover a number of technical and regulatory topics affecting the asset management industry and we have always had a focus on sustainability. Some of the topics we included in the 2022 curriculum were:

- **The basics of Sustainable Investing:** The importance of sustainable investing, types of ESG products, introduction to regulation and sustainability stakeholders.

PARTNERING WITH THE CFA INSTITUTE TO LAUNCH THE SUSTAINABLE INVESTING PRIMER

With the CFA Institute, the global association of investment professionals, we launched an [e-learning primer](#) to support the understanding of the importance of acquiring ESG skills and the growing need for greater sustainability knowledge and awareness among finance and investment professionals. This is part of an ongoing partnership that started with the award-winning Sustainable Investing Gameshow. The e-learning module is available to all our clients and staff, and was jointly developed with the CFA Institute.

The Sustainable Investing Primer consists of a 2- or 3-hour online course covering topics such as:

- climate change and the mainstreaming of sustainability,
- an introduction to ESG analysis and the concept of materiality,
- different approaches to sustainability,
- greenwashing and
- ways to assess sustainability credentials.



It is important for us to ensure our clients understand evolutions in the marketplace and we see this training as opening the door to this.

- **Stewardship:** Introduction to stewardship and proxy voting.
- **ESG implementation:** A custom training covering the fundamentals of integrating ESG within portfolios.
- **Sustainable Investing Advanced:** A four hour in-depth training built in conjunction with our Sustainability Centre experts.
- **CFA x BNPP AM:** Sustainable Investing Primer.

REFLECTING CLIENT NEEDS IN OUR INVESTMENT SOLUTIONS

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've asked of us and 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 Report to provide readers with an overview of our sustainability-related activities for the year. We also repackaged this content into more digestible pieces that are shared with clients throughout the year.

On a semi-annual basis

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

On a quarterly basis

We produce bespoke reports for our institutional clients invested in dedicated funds or mandates and hold meetings with them to discuss the reports. Portfolio managers or product specialists usually join the meetings and go through performance in detail. Sustainability topics are often covered in these meetings.

On a monthly basis

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

On an ongoing basis

- **We publish reportings** 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 start to publish European ESG Template (EET) reporting
- **We release thought leadership** to our clients on sustainability topics throughout the year, and publish shorter pieces, podcasts and videos

on sustainability topics in our [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, the Sustainable Finance Disclosure Regulation (SFDR) and other policy matters.

The dialogue established by our sales teams with our clients on sustainable investing is essential. To do this efficiently, it is important to provide our sales representatives with the right tools, in a variety of formats and for educational purposes, to ensure a relevant and useful dialogue with our clients.

The marketing and communication teams have long been committed to reporting on our actions and producing multiple media (brochures, videos, client events, podcasts, articles, infographics) allowing our customers to understand the challenges and opportunities offered by sustainability.

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

In 2022, dedicated campaigns were carried out aimed at informing our clients about SFDR regulations, our stewardship activities and our biodiversity and net zero roadmaps. To ensure that we are building our business around our clients and their needs, a Client Engagement team comprised of Client Experience and Client Communications was created.

We delivered new communication packs on topics such as MiFID and SFDR for sales teams, as well as direct-to-client letters. These were supported by management calls and training modules. We also developed a section dedicated to our voting and engagement activities on our corporate website.

In 2023, we plan to further strengthen our communication system with our clients including developing enhanced educational materials and a sustainability educational kit for our clients and enhanced reporting.

GAINING BETTER INSIGHTS INTO CLIENT NEEDS

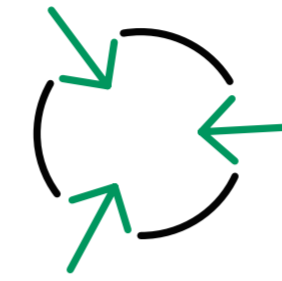
In 2021, we partnered with Greenwich Associates to survey investment decision-makers around the globe to help us better understand their needs and ultimately improve client satisfaction. On the basis of feedback from **130 clients participating** in these institutional and intermediary studies, in 2022, we conducted an in-depth analysis of the results related to the studies' ESG questions, soliciting candid input from relationship managers responsible for each of the clients who responded.

The aim of this exercise was to provide qualitative feedback to better understand our quantitative results, in which we ranked highly compared to leading peers. We extrapolated seven key takeaways ranging from the need for improved data accessibility to the strength of our stewardship efforts. This analysis was shared with our leadership team to be actioned by the appropriate departments. We also engaged with Greenwich in 2022 on another market study aimed at better understanding changing client needs and preferences in sustainable investing. The takeaways were shared across our organisation, and our Client Engagement team spearheaded a 9-point action plan to reinforce elements of our existing offering and to develop new services to better suit client needs going forward.

OUR PROGRESS

In this section of the report, we outline the progress we have made in furthering the six pillars of sustainability into our business.





ESG INTEGRATION

By integrating a consideration of relevant Environmental, Social and Governance (ESG) factors into our investment decisions, we can identify and assess areas of risk or opportunity, offering a relative advantage. Our ESG scoring and integration approach is applied across a wide range of investment strategies.

ESG INTEGRATION

We believe that analysing investments using ESG criteria helps us account for a wider set of risks and opportunities, which in turn helps us make better-informed investment decisions. In other words, our fiduciary duty is aligned with sustainability.

We believe that many areas of sustainability are imperfectly understood, under-researched and inefficiently priced, with inconsistent levels of disclosure. Against this background, ESG integration provides investors with an opportunity to achieve better risk-adjusted returns, via differentiated integration of sustainability considerations into investment processes.

We accomplish this primarily in two ways: through our [ESG Integration Guidelines](#) and through the development of proprietary sustainability research.

We continue to implement our **ESG Data Programme** to support effectively developing and deploying our various research methodologies. Through this programme we are developing robust internal capabilities to clean and manipulate data that can be used to support investment analysis, portfolio construction and measurement and reporting. The functional relationship between our Sustainability Centre, Quantitative Research Group, Digital and IT teams is critical to our ability to develop and maintain our proprietary and third-party ESG datasets and deliver the results to our investment teams, clients and regulators.

ESG Integration Guidelines	Proprietary Sustainability Research
<p>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:</p> <ul style="list-style-type: none"> • We avoid investing in entities without associated ESG research and; • We apply better-than-benchmark (BTB) constraints on ESG and carbon for portfolios in the scope of our guidelines. <p>We believe that we should apply these principles to all asset classes, to the extent possible. We actively promote these guidelines to our existing delegated managers and managers we partner with, and we will not delegate to new external managers that do not incorporate sustainability policies and practices.</p> <p>For client mandates, we will apply as many of these principles as we can and promote increased incorporation of sustainability principles, while respecting the wishes of our clients.</p>	<p>We chose to build our own proprietary scoring frameworks to ensure that they are tailored to our needs. For ESG scores, we believe in the merits of looking beyond a headline value to evaluate individual metrics that can be valuable sources of insight into investment risk and opportunities.</p> <p>We apply an additional layer of data quality and control to the underlying metrics we source from third parties to narrow our focus to the indicators that we deem to have sufficient coverage, quality and insight.</p> <p>In some cases, we also use qualitative overlays to correct data, update it or infuse it with our first-hand knowledge and insights. Covering more than 13,000 issuers of securities, it helps our portfolio managers pinpoint an issuer's performance on material ESG issues and integrate these into their investment decisions.</p> <p>We believe our methodology is markedly differentiated, with a more focused number of ESG metrics and a clear preference for 'performance' over 'policy' indicators.</p> <p>We also recently launched our proprietary Sustainable Development Goals (SDG) scoring framework. Similar to our approach around ESG scoring, we wanted more insight into the SDG performance of researched 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 portfolio construction and security selection.</p>



THE EVOLVING REGULATORY LANDSCAPE

CONTEXT

There is a growing political and social drive to reallocate capital to activities that help tackle the sustainability issues the world faces. As part of this, regulators are requiring greater transparency on the degree of sustainability of financial products. Their aim is that more private investment can be channelled towards sustainable outcomes while preventing greenwashing.

The complexity and evolving nature of these rules mean asset managers need to remain vigilant.

They must, in fact, ensure adherence to regulations and deliver on the claims their products are making in order to keep the confidence of their clients.

ACTIVITY

In late 2020, we launched a **Sustainable Regulation Programme (SRP)** to oversee the development and implementation of regulatory-related methodologies, definitions, disclosure and processes. The SRP includes representatives from almost

every department within our organisation. It is responsible for developing standards for our products to ensure that they align optimally with the sustainability preferences of our clients.

This included developing a definition for Sustainable Investment and explaining how we address Principle Adverse Sustainability Impacts (PASI) by each pillar of our approach to sustainability. This program also included developing a methodology to measure alignment against the European Union (EU) green taxonomy.

OUTCOMES

The SRP implemented a number of key initiatives including building a comprehensive methodology to meet the ESG preferences

in MiFID II and Insurance Distribution Directive (IDD). This methodology covers Principal Adverse Impacts (PAIs) on sustainability factors in the meaning of the regulation and identifies Sustainable Investments defined by SFDR. We accomplished this in part by sourcing robust data that demonstrates compliance with the Technical Screening Criteria (TSC) in the EU Taxonomy regulation.

We made commitments in a wide range of products on the three ESG preferences criteria to meet end client preferences:

- Most of our open Article 8 and 9 funds take into account the PAIs in their investment strategy;
- Most of our open Article 8 and 9 funds have an

ambitious minimum commitment to invest in Sustainable Investments;

- We have a meaningful range of Article 8 and 9 funds with a minimum commitment to invest in the EU Taxonomy even though the available universe is still very small.

We set minimum standards for the “promotion of environmental or social characteristics” for Article 8 products to ensure a robust framework is in place to deliver extra-financial characteristics marketed to clients.

In 2023, we will centralise the validation of all changes to methodologies and other regulatory-related changes through a validation committee that is an outcome of the SRP.



Regulation is a core component of how we implement sustainability in our investment strategies. We welcome standards that provide a common framework for all investors. Our goal is to make our range of products as ambitious as possible, after a significant effort by teams in implementing SFDR indicators such as PAIs, sustainable investments and taxonomy.”

Leila Lhuissier
ESG Product Specialist

OUR PROPRIETARY ESG RATINGS

Our proprietary [ESG scoring](#) framework benefits from the combined knowledge and expertise of three teams, helping to generate robust ESG insights for better-informed decisions.

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



Sustainability Centre

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



Quantitative Research Group

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



Investment teams

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

BNPP AM'S PROPRIETARY ESG SCORING FRAMEWORK IS:

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

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



ESG INTEGRATION

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. They include the knowledge we gain from participating in various investment forums and communities, our relationships with academic institutions and other aspects of civil society.

We select our 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 methodologies used and the relevance of selection criteria. Once we have selected a provider, we upload the data sets into our IT systems. We have a number of controls in place to ensure the completeness, accuracy and consistency of the data. Our market data team oversees governance related to the relationship with the provider and as part of this process, we perform an annual review of our market data contracts. We have long-term relationships with our data providers and this means working 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 them with one that is better suited to our needs.

ESG research brokers are selected, monitored and assessed through a formal process organised by our Sell-Side Relationship department. This means we count on and value the interactions our teams have with the research brokers and follow up internally where 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.

OUR SPECIALISED EXTERNAL DATA PROVIDERS

- **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, 427, 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 & 2 carbon emissions data.
- **CDP, Trucost, Forest 500, TRASE, SPOTT, FAIRR 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 and Proxinvest** provide 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** provides us with EU Taxonomy alignment rate data that 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 Principle Adverse Impact (PAI) indicators.
- **ESG and mainstream brokers** provide us with research papers and other market information.



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Gathering and assimilating the growing array of ESG data entering the marketplace represents a tremendous challenge. It also represents one of the biggest opportunities the investment management industry has seen for decades to drive value for clients while promoting positive real economy outcomes. Our proprietary

scoring framework provides portfolio managers with our differentiated views on the ESG characteristics of investees. And our industry-leading ESG Integration Guidelines help client portfolios realise better-than-benchmark ESG performance.'

Bérénice Lasfargues

ESG Analyst, Sustainable Development Goals Lead

Encouraging change in our value chain

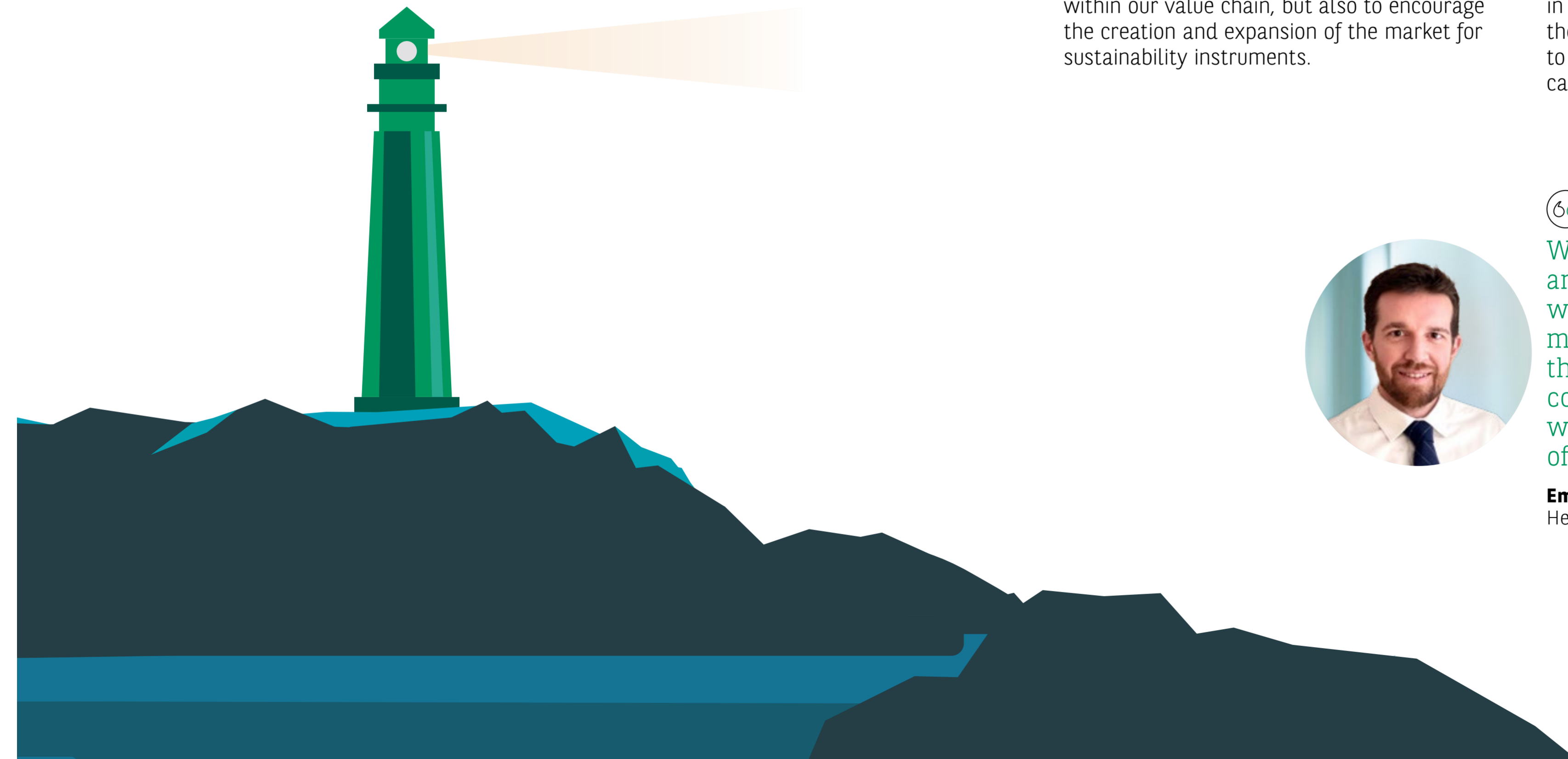
We extend our analysis of companies' sustainability performance to some of our suppliers, and specifically our execution brokers. We have developed a process for assessing and rating the ESG performance of the brokers we use. The purpose is not only to help encourage good corporate social responsibility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

In 2022, we joined Sustainable Trading, the 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.



We see Sustainable Trading as an important catalyst of change within the value chain of the asset management industry. Joining this organisation will help us to collectively have a deeper impact as well as help us to progress the goals of our Global Sustainability Strategy.”

Emmanuel Blanc
Head of Sell-Side Relationship Management



EXAMPLES OF ESG INTEGRATION

EURO HIGH YIELD BOND (FIXED INCOME)

Credit strategy committee	Portfolio strategy committee	Issuer selection	Portfolio construction
<ul style="list-style-type: none"> • 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. 	<p>Based on top-down views from step 1, portfolio manager defines monthly model portfolio with Duration Time Spread contribution by rating & sectors based on credit research sector views and ESG indicators.</p>	<ul style="list-style-type: none"> • Fundamental assessment of issuers (including ESG indicators and Sustainability Risk Assessment). • Selection based on: <ul style="list-style-type: none"> - Fundamentals - Relative value - Pricing & Technicals - ESG score 	<ul style="list-style-type: none"> • Build a robust portfolio taking into consideration client and strategy objectives including the overall ESG and carbon scores of the portfolio relative to the benchmark. • Curve positioning, instrument choice, capital structure.

GLOBAL EQUITIES (EQUITY)

Idea generation	ESG & fundamental analysis	Portfolio construction & risk management	Company monitoring & engagement
<ul style="list-style-type: none"> • Proprietary screening for companies with a combination of sustainable quality, business momentum and valuation. 	<ul style="list-style-type: none"> • 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. • Financial modelling, integrating sustainability and non-financial criteria to generate IRRs. 	<ul style="list-style-type: none"> • Risk Management focused on revenue exposure, diversification, and sustainability criteria. • Better-than-benchmark (ajout tirets) ESG ratings and low carbon footprint. 	<ul style="list-style-type: none"> • Ongoing monitoring of all relevant companies. • Continuous engagement by investment team on company performance including ESG. • Firmwide, global coverage of voting, engagement and stewardship.

BLUE ECONOMY EQUITY (INDEX STRATEGY)

Index provider selection	Methodology development	Index monitoring	Engagement with issuers
<ul style="list-style-type: none"> • Review of index construction methodology, including the integration of sustainability in the index construction, index ESG characteristics and the strength of the index provider's ESG research. 	<ul style="list-style-type: none"> • Align index rule book as best as possible to BNPP AM Responsible Business Conduct and activities prohibited by Towards Sustainability label. • Determine definition, methodology and sub-themes of the Blue Economy investment clusters with the index provider in order to develop a custom methodology for rule book. 	<ul style="list-style-type: none"> • Continuous monitoring and engagement with the index provider to adjust rule book when significant discrepancies are identified. 	<ul style="list-style-type: none"> • Dedicated engagement strategy where we engage with selected constituents of the ETF to improve their sustainability practices, track their progress and report back to stakeholders. • Targets pre-defined investments clusters: Fish & Seafood companies (in 2021) and Shipping Lanes companies (in 2022) with the support of Asia Research & Engagement (ARE).

ESG INTEGRATION



ESG INTEGRATION IN EXCHANGE TRADED FUNDS (ETFs)

CONTEXT

Passive investment strategies are a growing part of our product mix, and for a long time, they have contributed to our solutions to investing in sustainability, including by being pioneers on some ESG strategies like Low Carbon or Circular Economy.

ACTIVITY

Since mid-2017, our ETF launches have focused on sustainable indices replication. We have worked with index providers to shift a number of our existing ETFs to ESG – and Paris-aligned or Carbon-Transition benchmark indices – in order to strengthen the sustainability characteristics of our BNP Paribas Easy ETF & Index funds range.

OUTCOME

88% of the BNP Paribas Easy ETF & Index funds range,

representing €20 billion in AUM, is now classified as Article 8 or Article 9 according to SFDR regulations. This will deliver real results: as an example, the MSCI SRI S-Series 5% Capped range will aim to reduce the carbon intensity of its portfolio by an initial 50% when compared to the traditional index it is derived from, followed by annual decreases of 7%, in line with the 1.5°C trajectory of the Paris Agreement. **Our ETF & Index funds range covers equity and bond markets, several geographic areas and multiple ESG thematic investments.**

Our aim is to **continue expanding it in 2023.**



SCORING SOVEREIGNS

CONTEXT

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

ACTIVITY

We adapted our ESG scoring methodology to provide a view of the ESG performance of a country and enable us to compare countries with different levels of economic development across a variety of environmental, social and governance dimensions.

Notably, we assess countries' ambition for tackling climate change with regards to their National Determined Contributions (NDCs), through the detailed information on the policies adopted by countries to address climate change, and their forward-looking physical climate risk exposure. In addition, we take into consideration countries' commitments concerning climate change, thus informing our engagement with them on this issue.

We also apply the BNP Paribas Group's sensitive countries framework, which includes risk mitigation measures on certain

countries or activities that are considered particularly exposed to money laundering or terrorism financing.

And finally, as with our company scoring model, we incorporate qualitative inputs from investment teams' in-depth knowledge, and from dialogue and engagement with debt management officials and policymakers.

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

OUTCOME

We have developed a robust scoring system that covers almost 110 countries. We have also supplemented our scoring with direct engagements with governments. This includes discussions with policy makers in members of the European Union, Japan, the UK and Chile about their green, social and sustainability bond issuances, helping to clarify their strategy on climate change, the actions they are taking, progress achieved and constraints they are facing.



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Our sovereign ESG methodology provides a robust analysis of a country's ESG performance. It's differentiated by its inclusion of forward-looking views on climate risk in addition to typical ESG data points. It also provides a balanced view that enables us to compare countries with highly different levels of economic development. In addition, it benefits from investment teams' in-depth knowledge and from our engagement with regulators and policymakers, adding a view on countries' perceived evolution beyond our quantitative assessment of ESG performance."

Malika Takhtayeva

Sovereign ESG Analyst, Sustainable Fixed Income Lead

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 investment teams have access to leading research, helping to inform the broader debate as well as our own methodologies and investment approaches. Their annual conference brings researchers together 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. **2022's best paper was by Julia Bingler, Mathias Kraus, Markus Leippold and Nicolas Webersinke**, entitled [*Cheap Talk in Corporate Climate Commitments: The Role of Active Institutional Ownership, Signaling, Materiality, and Sentiment Firm sustainability: How do investors drive it ahead, if at all?*](#)

The researchers analysed the link between 'cheap talk' – otherwise interpreted as companies engaging in greenwashing – and three elements: stewardship; public support for the Task Force on Climate-related Financial Disclosures (TCFD) or joining the Science-Based Targets Initiative (SBTi); and material climate exposure or disclosures focused on downside risks.

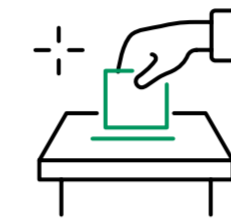
Their study analysed **14,584 annual reports of MSCI World index** constituent companies between 2010 and 2020. They found that active institutional ownership and targeted engagement strategies, as well as climate risk exposed sectors and downside risk-focused disclosures suppress 'cheap talk'. In contrast, publicly voiced support for the TCFD was associated with more 'cheap talk'.

We believe the paper underscores the value of stewardship activities. It shows that engagement

by institutional investors can raise the quality and decision-relevance of climate risk disclosures and commitments by investee companies.

This paper was one of 42 presented at the conference (hosted by the Center for Sustainable Finance and Private Wealth (CSP) and the Center of Competence for Sustainable Finance (CCSF), University of Zurich), attended by members of our investment and sales teams. We later presented a summary of the conference papers to our ESG Champions as well as published summaries on a number of the papers on our blog, giving investment staff the opportunity to incorporate the findings into their own thinking.

ENGAGEMENT BY INSTITUTIONAL INVESTORS CAN RAISE THE QUALITY AND DECISION-RELEVANCE OF CLIMATE RISK DISCLOSURES AND COMMITMENTS BY INVESTEE COMPANIES.



OUR APPROACH TO VOTING AND ENGAGEMENT

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

OUR APPROACH TO VOTING AND ENGAGEMENT

A FUTURE MAKER

We are committed to being a ‘future maker’, using our investments and our influence with companies, policy makers and standard setters, to contribute to transitioning to low-carbon, environmentally sustainable and inclusive economies. We use the tools of voting, engagement and public policy to realise this ambition.

Encouraging companies to improve their governance and management of sustainability issues helps us to better manage ESG risks in the near and long term. It also enhances our knowledge and understanding as an investor, and creates positive externalities – all of which benefit our clients. Urging policymakers to deliver legislation, regulation and standards that foster sustainable equitable development, addresses systemic risks and market failures.

To ensure that our activities are effective, consistent and support our objectives and duties as fiduciaries, they are not only rooted in our Global Sustainability Strategy (GSS) but also codified in our [Stewardship Policy](#) and our [Governance and Voting Policy](#), reviewed annually and revised as needed – and approved by the Stewardship Committee.

Voting	Engagement	Public policy
We exercise our rights and responsibilities by making considered voting decisions in line with our policy. Voting is core to delivering on our fiduciary duty. It drives better corporate governance and sustainability practices.	Informed proactive engagement with equity and bond issuers aims to improve their performance on governance and sustainability. Engagement in turn informs our votes and influences issuers’ eligibility for investment and ESG ratings. It is also designed to counter 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.

FOR US THE WORLD HAS TWO KINDS OF INVESTORS: **FUTURE TAKERS AND FUTURE MAKERS.** FUTURE TAKERS STAND BY AND WATCH HOW EVENTS UNFOLD. FUTURE MAKERS USE THEIR INFLUENCE TO HELP SHAPE THE WORLD AROUND THEM.

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

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

OUR APPROACH TO VOTING AND ENGAGEMENT

SCOPE OF OUR VOTING AND ENGAGEMENT ACTIVITIES

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

As an integral element of our investment process, we vote on behalf of our clients at annual general meetings (AGMs) and Extraordinary General Meetings (EGMs) of companies in which we invest. Voting rights are exercised on equities for 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.

We are committed to consistently exercising our voting policy across portfolios and markets, subject to technical and legal constraints. We also accommodate certain custom voting policies for specific client dedicated funds or mandates. For pooled funds, our custodian and voting providers' platforms are not currently set up to enable this.

External investment managers to whom we delegate portfolio management with related voting rights are required to have a proxy voting policy and to exercise voting rights in line with market practices.

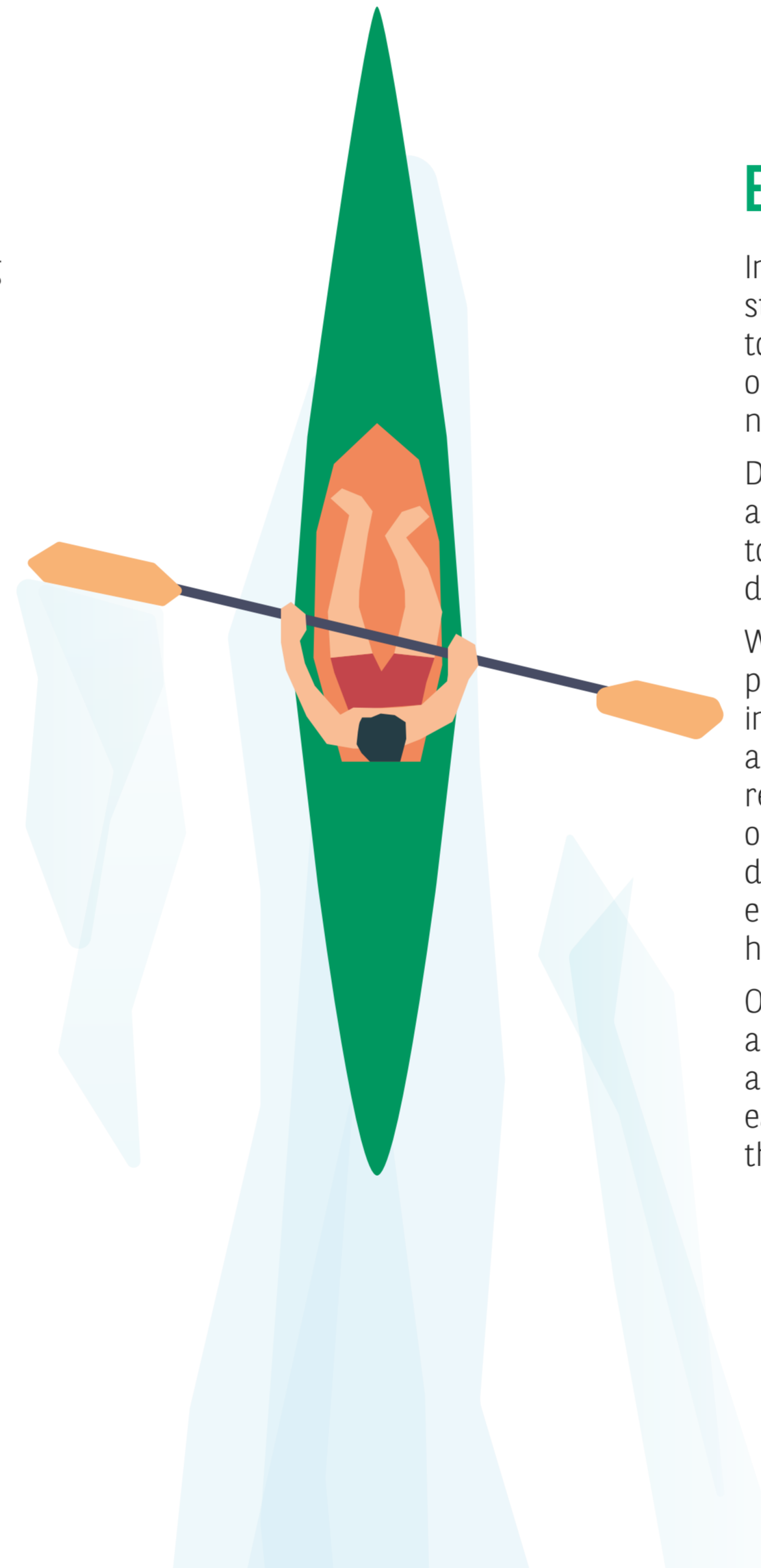
We engage with companies in the context of voting at their AGMs, coordinating such dialogue with portfolio managers, ESG analysts and stewardship analysts, so that final voting decisions can feed into the qualitative elements of our ESG ratings.

Our engagement encompasses our public equity holdings – both actively and passively managed – and extends beyond them. We regularly engage with issuers of various types of sustainable bonds to help us understand the environmental and social risks and expected benefits of the issuance, ensure that the investment is appropriate for our clients, and to promote better sustainability practices and reporting.

We also engage with sovereigns on material ESG issues, including climate change, which may impact the value of our investments in sovereign bonds or their ability to meet their obligations to investors.

Within our private debt business, we engage corporate borrowers on a wide range of ESG characteristics (including compliance with our Responsible Business Conduct (RBC) policy, ESG risks and opportunities assessment at a project level, environmental and climate assessments, etc.) and apply strict environmental standards to our Real Assets portfolios.

* All 100% owned entities of BNPP AM Holding, including BNP Paribas Asset Management UK (Limited), are subject to and adhere to BNPP AM Policies.



ESCALATION PROCESS

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

Dialogue, however, is a two-way street and there are times when stronger measures are necessary to encourage a company to come to the table and discuss our concerns.

When more robust action is required to ensure protection and enhancement of our clients' interests and shareholder value, we can, inter alia, make public statements, propose shareholder resolutions, call an extraordinary general meeting or intervene jointly with other institutions. These decisions are taken on a case-by-case basis, to ensure that our concerns have been properly heard and dealt with.

Our shareholder proposal filing strategy is approved by the Stewardship Committee once a year, as are specific decisions about filing each shareholder proposal. We note examples throughout this chapter of the report.

OUR APPROACH TO VOTING AND ENGAGEMENT

VOTING: EXERCISING OUR RIGHTS AND RESPONSIBILITIES

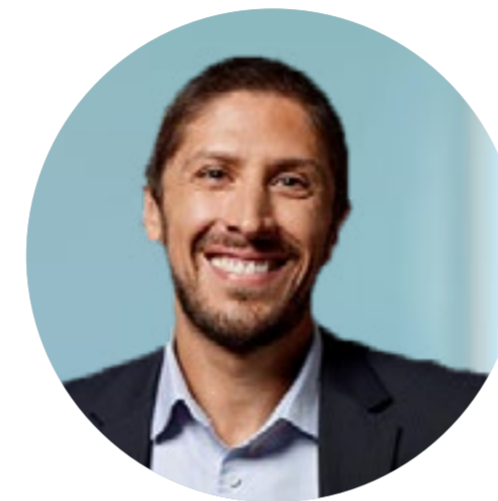
Our approach to voting is governed by a set of principles which underpin our expectations of the companies we invest in and act as our guidance in carrying out our ownership duties. Our Governance and Voting Policy sets the rules we apply to proxy voting, including on ESG-related matters. It is updated each year. We vote proxies solely in our clients' best interests, and the ultimate beneficiaries of the funds for which we are responsible.

We seek to develop a constructive and positive approach with the boards of companies we invest in, clearly setting out our expectations as a diligent steward of assets. However, we will not hesitate to abstain or oppose management, or to support shareholder proposals, when applying our voting guidelines. When companies do not meet our expectations, we oppose the following 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 Proxinvest, which provides research on French companies. However, 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.

Our [2022 full proxy voting record](#) is publicly available on our website. The following is a summary of our voting activity in 2022, including details on our most significant votes and our rationales for votes on environmental and social proposals.



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Voting and dialogue with companies are core to our stewardship strategy. The AGM season is an important opportunity for us to make our voice heard. During 2022, we opposed a third of all resolutions we voted on because we did not believe they were in the best interests of our clients. Moreover, the integration of environmental and social considerations into our voting policy led us to oppose around 1,400 resolutions, mainly on climate and biodiversity grounds.”

Michael Herskovich
Global Head of Stewardship

KEY REVISIONS TO OUR VOTING POLICY FOR THE 2022 SEASON

Each year, we review our Governance and Voting Policy to adapt it to current market practices and remaining challenges in the fields of corporate governance and sustainability. Our 2022 Governance and Voting Policy strengthened and reinforced the link between voting and ESG integration.

We continued to sanction issuers on ESG topics such as non-disclosure of GHG emissions or about their climate lobbying, or misalignment with respect toward our Responsible Business Conduct (RBC) policy. We also reinforced our climate-related expectations and added two new areas of focus: biodiversity and low ESG scores.

We also included new criteria to guide our voting decisions on 'Say-on-Climate'* management proposals and boosted our expectations in relation to including ESG performance criteria in remuneration packages, specifically, in at least one component of executive compensation.

* Resolution on the agenda of the General Assemblies on climate change.

OUR APPROACH TO VOTING AND ENGAGEMENT



CLIMATE-RELATED EXPECTATIONS:

We increased our expectations of companies identified as the world's largest corporate greenhouse gas emitters. In light of the climate crisis and our commitment to the [Net Zero Asset Managers \(NZAM\) initiative](#), we consider it essential to strengthen our expectations of companies in sectors that are key to substantially cutting global GHG emissions.

We expected these companies to publicly announce their ambition to achieve net-zero GHG emissions by 2050 or sooner, underpinned by credible decarbonisation strategies and intermediary targets, in line with global efforts to limit warming to 1.5 degrees Celsius.

BIODIVERSITY-RELATED EXPECTATIONS

In relation to our [Biodiversity roadmap](#), we expected companies to assess and report on their key impacts and dependencies on nature, beginning with companies in high-impact sectors and with a priority focus on deforestation and water. As a first step, we targeted companies whose activities have high impacts on nature and that failed to disclose through the CDP Water and Forest questionnaires.

COMPANIES WITH LOW ESG SCORES

As we apply our proprietary ESG rating system to all our holdings, we opposed the key resolutions at companies' annual general meetings in the absence of improvement in their practices. We aimed to engage with companies with low scores on our rating system, especially those in which we have active positions, and had the option to sanction the noted resolutions as an escalation measure if that engagement was unsuccessful.

You will find the updates on the other commitments we have made in our [Net Zero Roadmap](#) throughout the [Voting and engagement, Corporate Social Responsibility and Responsible Business Conduct](#) sections of this report, which will be identified with this symbol.



2022 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
- 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.

The total value of the assets under management that fell within our voting scope (which is beyond Undertakings for Collective Investments in Transferable Securities (UCITS) with mandates) was €72 billion. This voting scope represents nearly 52% of meetings held by companies held in all our UCITS with mandates, which represented 78% of ballots voted.

We voted on **90%** of our assets under management in 2022.

We voted against management in **33%** of our votes in 2022.

OUR APPROACH TO VOTING AND ENGAGEMENT

SECURITIES LENDING PROGRAMME

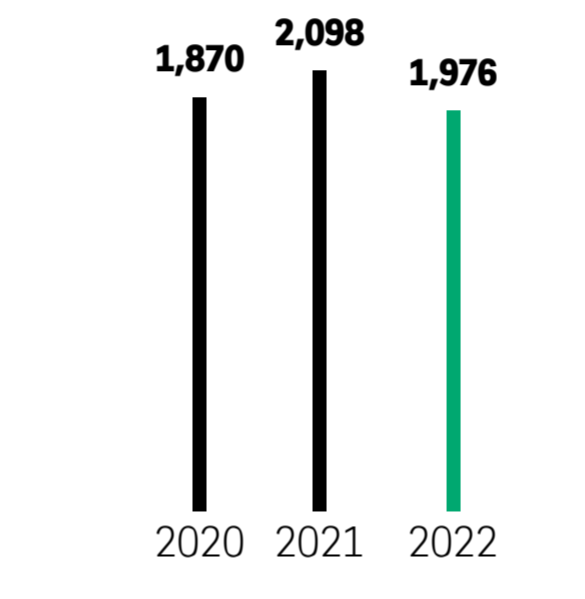
In 2022, we introduced a securities lending programme. We have a systematic process of recalling shares for general meetings in order to vote on a significant portion of our positions and prevent 'empty voting'.

This process comprises both quantitative restrictions and a qualitative appraisal, to fully take into consideration our clients' long-term interests. Our policy is to hold a significant minimum portion of votable shares for all general meetings, and we recall all votable shares for general meetings with major issues at stake, as well as for some funds where we vote on 100% of positions.

KEY VOTING STATISTICS

Over the past three years, we have maintained a high and rising opposition rate. This is because we set high expectations in all areas and because we review every item on every agenda and make our own voting decisions – a rare practice among large asset managers. This year the percentage of votes against management was 33%, the same as in 2021, and one percentage point higher than in 2020. Within our scope, we voted at 1,976 general meetings in 2022, primarily in Europe, reflecting the split of our assets under management.

► Total AGMs at which we voted over the last 3 years (2020, 2021 and 2022)

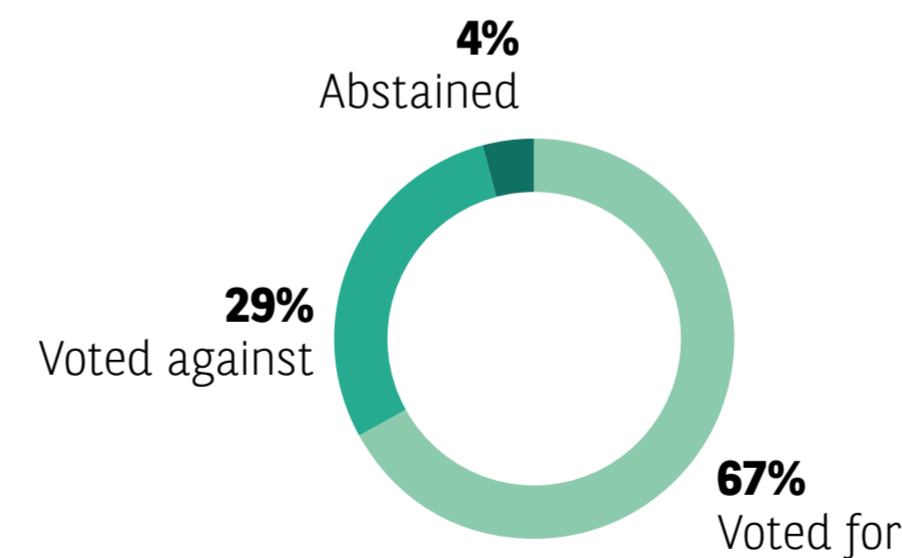


► Geographic breakdown of our votes

Year	Meeting voted	Europe	North America	APAC*	Other markets
2022	1,976	908	526	432	110
		46%	27%	22%	6%
2021	2,098	974	554	467	103
		46%	26%	22%	5%
2020*	1,870	923	476	130	341
		49%	26%	7%	18%

* Figures under APAC (Asia Pacific) column are for Japan only. We subsequently extended our coverage of the region.

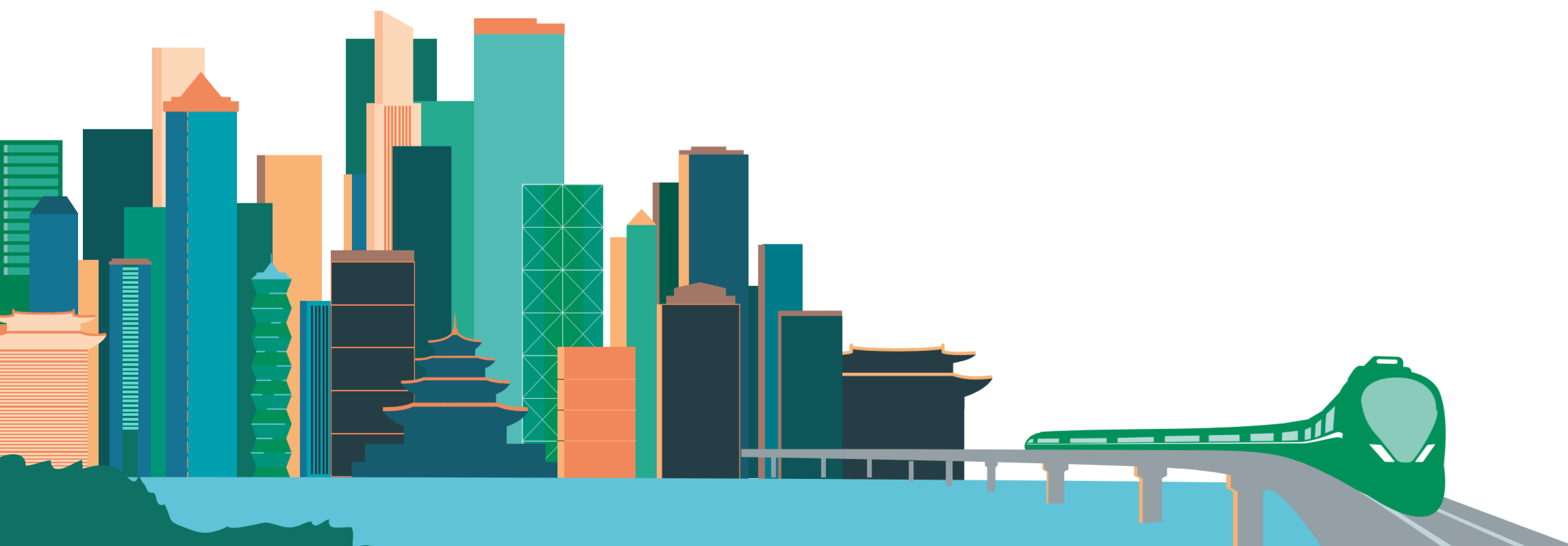
► Votes for and against, and abstentions, in 2022



The main focus of our opposition, excluding shareholder proposals (analysis presented on page 49), 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 [2022 Voting Report](#). We outline examples in a later section that illustrate 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.



OUR APPROACH TO VOTING AND ENGAGEMENT

OUR VOTES ON MANAGEMENT AND SHAREHOLDER PROPOSALS

Voting decision		Total	Management proposals				Shareholder proposals
			Board Elections	Executive Pay	Financial Operations	Routine Business and other	
TOTAL VOTED		27,223	13,833	3,212	2,445	6,743	990
FOR		18,255	8,915	1,264	1,511	5,855	710
AGAINST		7,884	4,444	1,676	770	786	208
ABSTAINED		1,084	474	272	164	102	72
% OPPOSITION	2022	33%	36%	61%	38%	13%	28%
	2021	33%	37%	60%	39%	12%	30%
	2020	32%	36%	59%	42%	11%	37%

Executive compensation 61% opposition rate vs. 60% in 2021

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

- **A lack of transparency** on the compensation policy (volume, weight, nature of the performance criteria, targets, etc.);
- **The compensation practices** are not in line with stakeholders' interests, with excessive or disproportionate amounts relative to the company's performance;
- **Absent or weak ESG performance criteria**, not clearly linked to the company's sustainability strategy;
- **A 'pay for failure' approach** is in place, with non-challenging performance criteria; or
- **Compensation** is not oriented towards rewarding good long-term performance.

OUR APPROACH TO VOTING AND ENGAGEMENT

Financial operations 38% opposition rate vs. 39% in 2021

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

- The global volume is considered too significant (authorisations exceed 50% of the share capital); or
- It is a share capital authorisation without pre-emptive rights and without a specific object that leads to an excessive dilution for current shareholders (more than 5% of share capital or 20% with a specific purpose).

We also vote systematically against all anti-takeover devices.

Board elections, addressing independence, tenure and gender diversity 36% opposition rate vs. 37% in 2021

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

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

On pages 52-55, we provide several examples of our engagement with respect to voting; commentary on our engagement and related votes on gender diversity on boards can be found on page 82.

Our record of voting on environmental and social topics

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

In 2022, we opposed 1,391 resolutions at 248 companies for these reasons (55% related to our climate-related expectations, 24% related to our RBC policy, 13% related to our biodiversity-related expectations and 7% linked to low ESG scores – a substantial increase compared to 2021 (969 resolutions at 168 companies)).

* Climate Action 100+.



BNPP AM LEADS THE FIELD IN OPPOSING DIRECTORS' ELECTIONS AT US CA100+* FOCUS COMPANIES

A report published by U.S. Non Governmental Organisation (NGO) Majority Action analysed the proxy voting behaviour and reporting of the 75 largest members of CA100+ at the 2021 annual meetings of the 45 US focus companies of that initiative. Their research found that despite the Net Zero Company Benchmark demonstrating clear

failures of climate governance at these companies, the majority of the largest investors overwhelmingly voted in favour of their incumbent directors in 2021. However, BNPP AM was the clear leader, having voted for the fewest directors (31%) at these companies, and in support of the full Board at only one of 30 companies where we voted.

OPPOSING KEY RESOLUTIONS LINKED TO ENVIRONMENTAL AND SOCIAL EXPECTATIONS

ESG topic	No. of resolutions	% of total	No. of companies' meetings	% of companies' meetings
RBC Policy	338	24%	41	17%
Climate-related expectations	770	55%	140	56%
Biodiversity-related expectations	187	13%	52	21%
Low ESG score	96	7%	15	6%
TOTAL	1,391		248	

OUR APPROACH TO VOTING AND ENGAGEMENT

6. NET ZERO COMMITMENTS

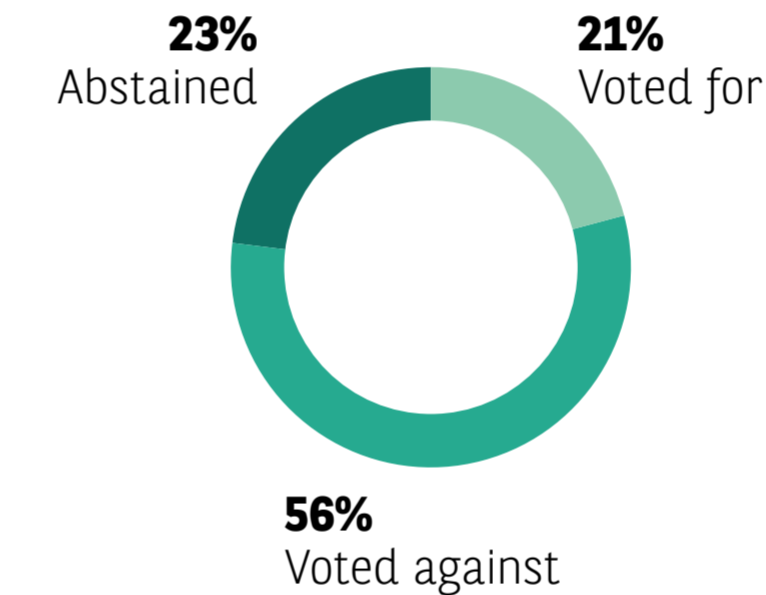
FOCUS ON 'SAY-ON-CLIMATE' PROPOSALS

A notable recent trend is the emergence of 'Say-on-Climate' management proposals. Such resolutions, proactively tabled by the management, first appeared on ballots in 2020. They are designed to offer shareholders a vote on the company's climate strategy or progress report. The number of climate-related management proposals has almost doubled in 2022, to 46 resolutions in total, mostly in Europe. In 2022, we voted on 40 Say-on-Climate proposals that fell within our voting scope versus 21 the previous year. Having strengthened our Governance and Voting Policy in 2022, we introduced criteria to assess these proposals (see section 3.6). We set precise expectations with regard to companies' climate action plans. These included the commitment to achieve

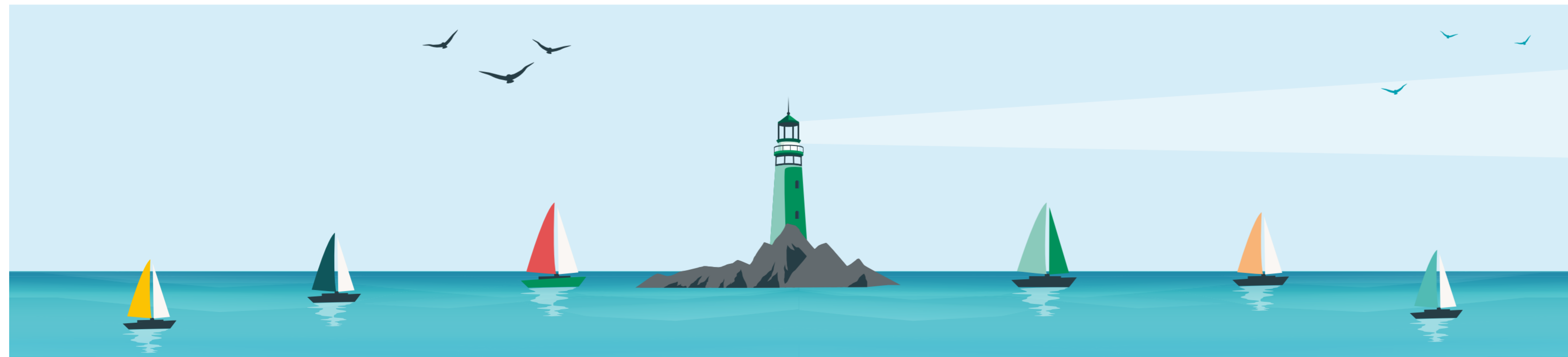
net-zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. As most companies' transition plans or reports did not meet our expectations, our overall opposition rate (votes against or abstentions) increased substantially, from 21% in 2021 to 79% in 2022. We judged most plans to be premature; in many cases, they lacked absolute emissions reduction targets for the short (2025) and medium term (2030) or the targets covered only some types of emissions, often excluding Scope 3*. The level of support at the AGM gained by the companies ranged from just over 50% at Woodside Energy to 99% at EDF.

* Indirect emissions not related to the consumption of electricity, heat or steam needed to manufacture the product.

BNPP AM votes on management Say-on-Climate proposals in 2022



In a December 2022 study entitled 'What's Been Said on Climate and the Changing Climate on Investor Behavior', the consulting firm SquareWell Partners highlighted our rigorous approach and **ranked BNPP AM first** among 25 large asset managers in opposing management-sponsored climate proposals in 2022.



OUR APPROACH TO VOTING AND ENGAGEMENT

OUR RECORD ON VOTING ON SHAREHOLDER PROPOSALS

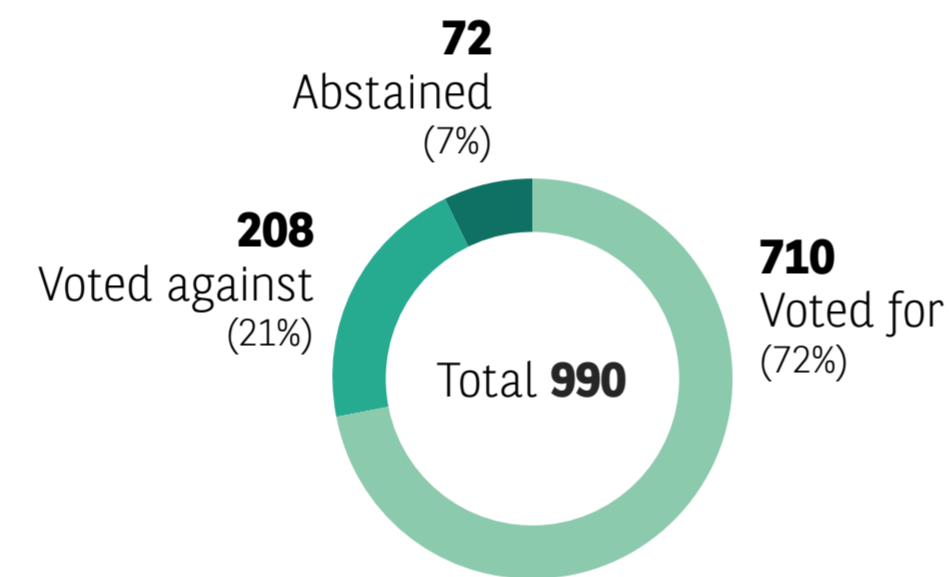
Shareholder proposals on ESG issues are becoming increasingly common. In 2022, 990 shareholder proposals were proposed worldwide; this was up from 826 in 2021 and 754 in 2020. Because these resolutions are proposed by groups of institutional shareholders with a strong commitment to drive better company performance on particular issues, or by stakeholders like NGOs that work with investors, they are usually opposed by management. Therefore, a vote in favour of the proposal is a vote against management's recommendation.

Our principle is to vote in favour of shareholder proposals when they are in line with the long-term interests of the company and the action requested is warranted given the prevailing practices of the company. However, we abstain when we believe the proposal not to be appropriate to the company's specific circumstances or if the request being made is already happening in practice.

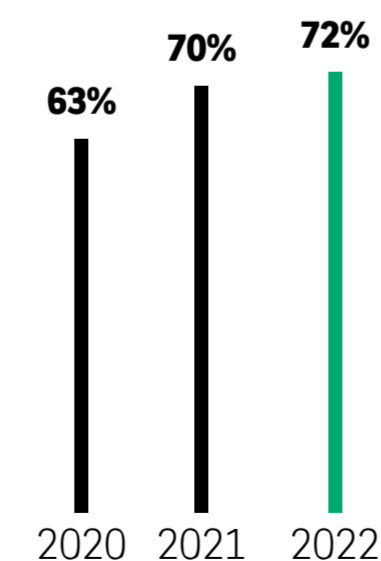
Our rate of support for all types of shareholders' proposals increased. It was 72% for 2022, compared to 70% in 2021 and 63% in 2020.

Specifically, we again demonstrated very strong support for social proposals (99% in 2022 vs. 100% in 2021 and 86% for 2020) and for environmental and climate change proposals (90% in 2022 vs. 89% in 2021 and 94% in 2020). Our rationales for all votes are available in the 2022 Voting Report.

Our votes for and against, and abstentions, on shareholder proposals



Support for shareholder proposals



ShareAction again highlights our voting record on shareholder resolutions

In recent years, ShareAction, a UK-based NGO, has published an analysis of the voting record of large asset managers based on how many shareholder resolutions each manager voted for in the previous year. They have also assessed their voting behaviour on environmental, social, and pay and politics resolutions.

The total number of resolutions within the report's scope for 2022 was 252 (substantially lower than all such resolutions that we voted on). BNPP AM ranked in the top three of 68 managers assessed, with an overall score of 99%.

OUR PRINCIPLE IS TO VOTE **IN FAVOUR OF SHAREHOLDER PROPOSALS** WHEN THEY ARE IN LINE WITH THE LONG-TERM INTERESTS OF THE COMPANY.

OUR APPROACH TO VOTING AND ENGAGEMENT



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. It 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:



We also engage with agencies, states and regional issuers of sovereign debt to provide feedback on the structure of their bonds, evaluate their linkages to countries' 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. See pages 84-85 for a list of collaborative initiatives of which we were members during 2022.

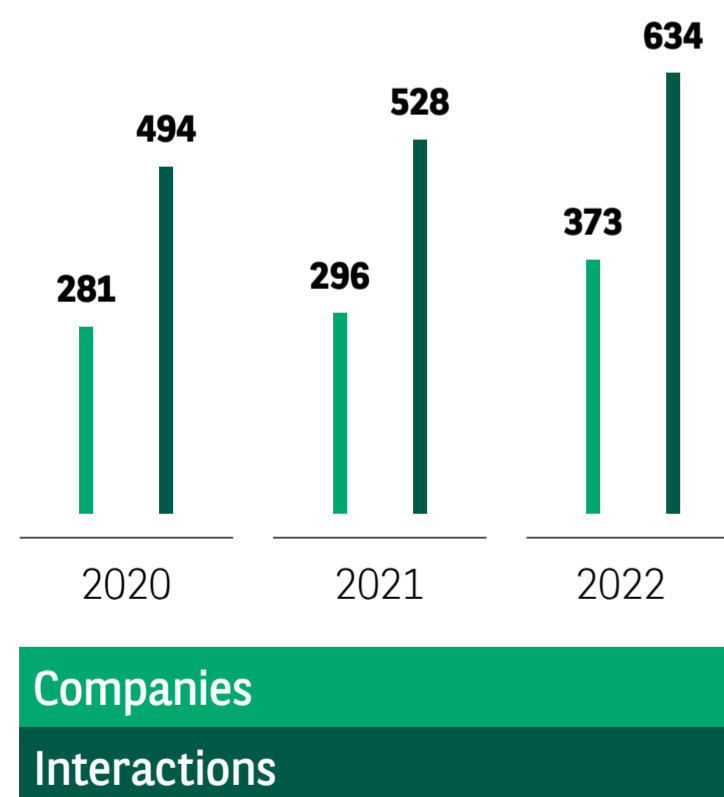
OUR APPROACH TO VOTING AND ENGAGEMENT

OUR CORPORATE ENGAGEMENT IN FIGURES

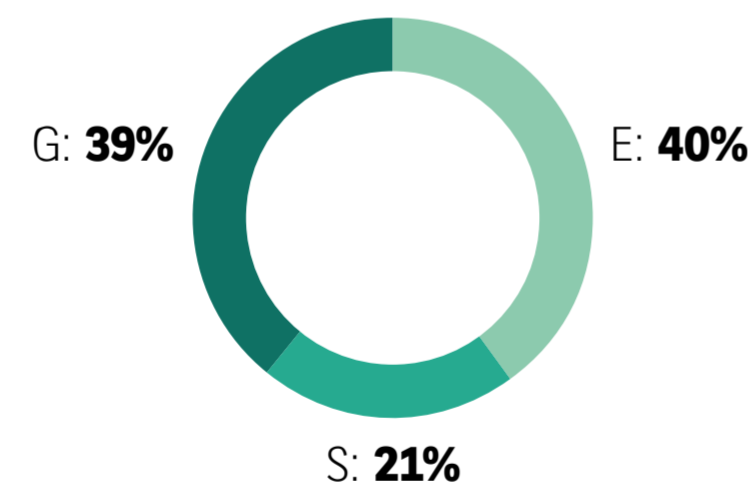
Over the past three years, we have increased our engagement both in terms of the number of companies and the volume of interactions with them. In 2022, we engaged with 373 companies through 634 interactions. Of these, we engaged with 78% by sending letters or having discussions with the companies individually and in the case

of the remaining 22%, we engaged through collaborative initiatives or with other investors. We also signed 543 letters sent to companies through collaborative organisations we are a signatory to or supporter of (i.e. Business Benchmark on Farm Animal Welfare (BBFAW) and CDP's Non-Disclosure Campaign).

► Total number of companies we engaged with directly, and number of interactions



► Engagement on Environment (E), Social (S) and Governance (G)



► Engagement by region

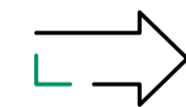
	All regions	Europe	North America	APAC	Others
Number	373	227	75	58	13
%	100%	61%	20%	15%	3%

In most of our engagements we covered multiple ESG topics rather than just one; in others we focused on corporate governance or addressed one or more of the 3Es/ thematic issues or focused on the ESG performance of the issuer.

► Engagement by type

Topics	
Corporate Governance and Voting	106
Multiple ESG Topics*	111
3Es / Theme specific	69
ESG Performance	87
RBC policies	9
Low ESG scores (corporates)	41
Green + sovereign bond issuances**	37
TOTAL	373

In the following section, we set out selected examples of our engagement to give a flavour of our overall activity.



* This category indicates engagement that is not exclusive to one topic or theme, i.e. corporate governance, the 3Es, ESG performance.
 ** This figure includes only those engagements recorded in our tracking tool; other engagements took place that were not able to be recorded in that tool and which are referred to in a later section.

OUR APPROACH TO VOTING AND ENGAGEMENT

1

ENGAGEMENT TO IMPROVE GOVERNANCE AND INFORM OUR VOTES

During proxy season, we ask companies to engage with us or respond to their requests for dialogue. 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 proposals; and
- express our concerns about specific resolutions that do not meet the expectations set out in our voting policy.

Beyond the busy proxy season, we also have discussions with companies on topics such as strategy, long-term performance, risk management, ESG issues or other concerns. We also proactively communicate our voting policy to promote good corporate governance and to prepare for the next general meeting of the issuer.

During the 2022 proxy season, we had 210 interactions with 106 companies related only to voting issues, compared to 239 interactions with 151 companies in 2021. Of all of these engagements, 35 were successful* (33%),

*We consider a voting-related engagement to be successful if the company withdraws the proposal we are opposing, or if we change our vote in favour of the proposal after a modification of the resolution from the issuer, or where we obtain additional information. However, a potential modification of our voting decision is not the only criterion for success: some companies modify their practices the following year and are not necessarily counted in the successful engagement statistics.

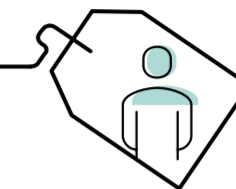
an increase compared to 2021 (28%). Where our engagement does not lead to the company making the changes we request, and does not indicate it will consider them, we escalate our concerns by voting against selected items on the agenda, in line with our voting policy.

The examples below focus on topics other than gender diversity on boards; on this topic we were very active in 2022; engaging with 40 companies in all regions ahead of their AGMs. This engagement informed many of our votes and is described in a later section in the context of our engagement on our third E, which stands for Equality and Inclusive Growth.



BANCO SANTANDER: INTEGRATING ESG PERFORMANCE CRITERIA INTO EXECUTIVE COMPENSATION

INDIVIDUAL ENGAGEMENT



ENGAGEMENT ACTIVITY

In previous years, we had expressed our expectation that the company incorporate ESG performance metrics into its executive compensation.

In February 2022, we had several further email exchanges about its proposed 2022 Remuneration Policy and in March 2022 we met the Lead Independent Director. We outlined our views on the best approach to ESG integration in remuneration.

- In particular, we advocated for operational criteria rather than those solely based on qualitative factors or ESG ratings.
- We also highlighted the importance of transparent ex-ante disclosure of ESG criteria (targets, vesting scales, thresholds) because these enable shareholders to understand the ambition level and to what extent they challenge the company to deliver strong performance in the relevant areas.

OUTCOME

We were pleased to find that the Remuneration Policy presented to the 2022 AGM reflected our feedback. It proposed, for the first time, ESG performance criteria in the deferred variable remuneration of the CEO's remuneration carrying 20% weight. The level of ex-ante disclosure was satisfactory, with fair transparency of the performance criteria and the sub-weights, targets, minimum vesting thresholds and maximum awards attached to each criterion.

VOTING ACTIVITY

Given these positive steps in line with our requests, and our policy, at the 2022 AGM we supported Item 8.a requesting approval of the new Remuneration Policy. This resolution received 91% support overall.

FURTHER ENGAGEMENT

We continue to engage with the company as we expect further improvement on other aspects of the remuneration in line with the principles of our [Voting Policy](#) on executive compensation (pages 17-19).

OUR APPROACH TO VOTING AND ENGAGEMENT



KONINKLIJKE PHILIPS NV VOTE AGAINST KEY STRATEGIC ITEMS

INDIVIDUAL
ENGAGEMENT



VOTING ACTIVITY

At the 2022 AGM, we voted against two items that proposed issuance of 10% of issued capital without preemptive rights and without a specific objective (Items 5.b and 6). Our policy sets a maximum limit of 5% of issued capital to avoid excessive dilution of the value of shares held by existing shareholders.

We also voted against Item 2.d 'Approve Remuneration Report' because the supervisory board adjusted the performance outcomes of the short-term and long-term incentives for unrealised revenues for 2021. The actual performance – before adjustment – was below the pay-out threshold whereas the adjustment allowed partial payout. This was therefore a significant decision.

The company failed to provide a compelling rationale for the need

to adjust the outcome, while Philips' performance was heavily impacted by a product recall, which impacted its share price performance.

OUTCOME

The opposition rate to resolution 2.d was 79%, i.e. it was rejected by shareholders. However, in the Netherlands, the ex-post vote on the remuneration report is only advisory and does not necessarily lead to changes to payments.

FURTHER ENGAGEMENT

In light of this proposal being rejected, the question of the need to make such votes binding in this market is under discussion among the members of the Dutch asset management association Eumedion, of which we are a member.



TELEFONAKTIEBOLAGET LM ERICSSON DISCHARGE OF DIRECTORS IN RELATION TO CONTROVERSIES

INDIVIDUAL
ENGAGEMENT



ENGAGEMENT ACTIVITY

Ericsson issued press releases in October 2021 and March 2022 relating to breaches of the agreement with the U.S. Department of Justice (DoJ). These statements noted that the DoJ had notified the company that it had failed, as required, to hand over certain details mandated by the Deferred Prosecution Agreement.

This breach raised serious concerns, especially as it was not a one-off breach. It was unclear whether the settlement made with the DoJ in 2019 covered more recent allegations related to Iraq and therefore whether Ericsson could face additional potential fines from U.S. authorities.

In addition, NASDAQ began investigating whether the company violated stock exchange rules in connection with information published with regard to Iraq, which could also lead to fines.

In such cases, where we have doubts or concerns about whether companies are appropriately exercising the fiduciary duties of directors, we do not approve the discharge of board members.

VOTING ACTIVITY

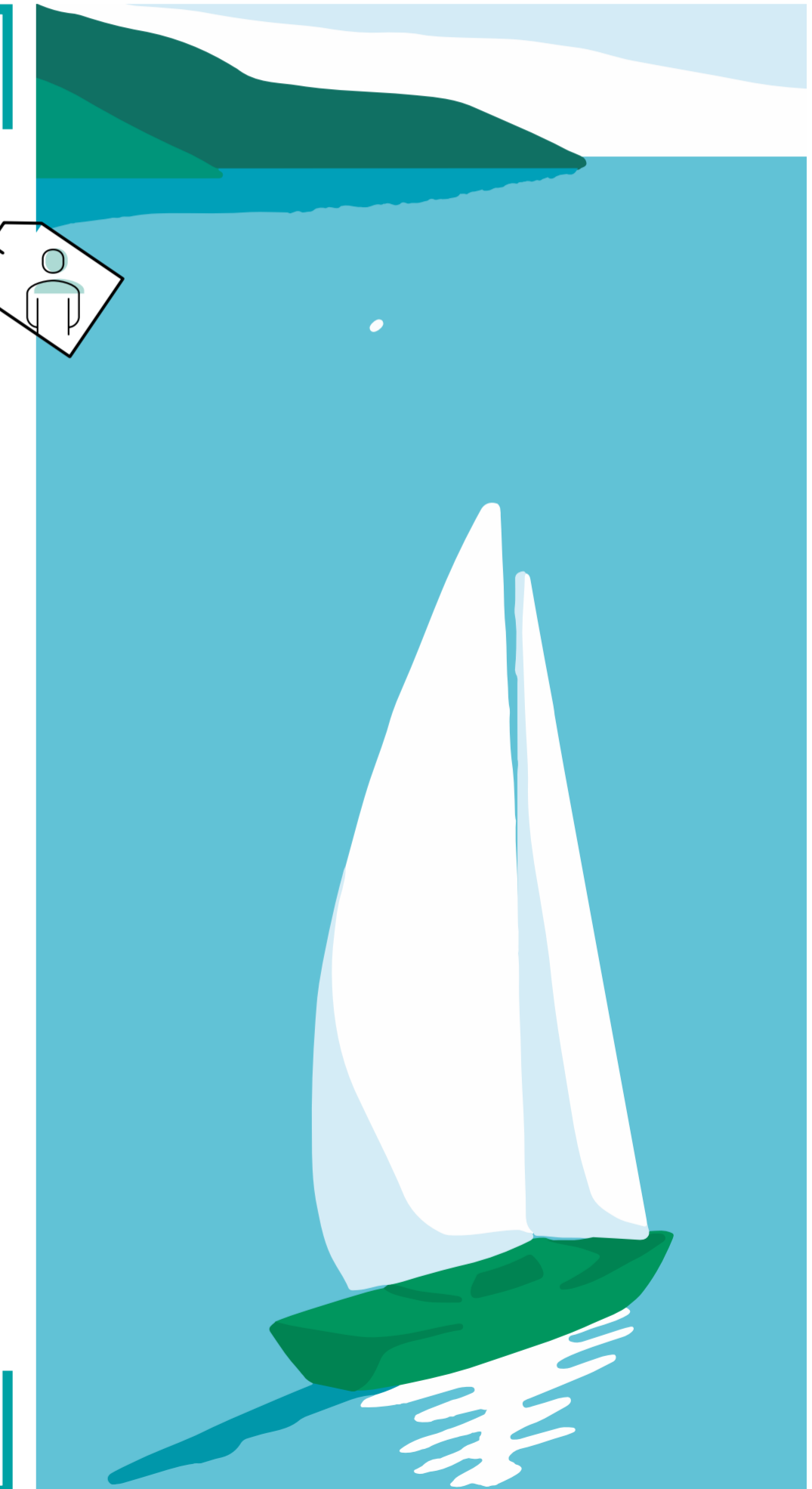
At the 2022 AGM, we voted against the discharge of directors who were on the board at the time of alleged concerns (Items 8.3 a, b, c, d, e, f, g, h, i, j, k, l, n, r) on a precautionary basis approach.

OUTCOME

The voting results are not available for this AGM.

FURTHER ENGAGEMENT

We will monitor the company's practices in the future.



OUR APPROACH TO VOTING AND ENGAGEMENT



BBVA ENSURING APPROPRIATE AND SUFFICIENT BOARD SKILLS



ENGAGEMENT ACTIVITY

We met BBVA in December 2021 and December 2022, each time well ahead of the company's AGM (in March of each year), to discuss key updates and identify areas for improvement before the company finalised its proposals and annual reports. In December 2021, we had asked the company to adopt the practice of publicly disclosing a skills matrix showing individual competencies of each board director.

Skills matrices help investors to better understand the composition of the board, which skills are strong, and which need to be reinforced. They are also a valuable tool for assessing the suitability of candidates proposed by the nomination committee for board elections.

OUTCOME

During our 2022 engagement meeting, the company demonstrated it had taken our recommendations on board. It shared its draft corporate report and presented a skills matrix which now shows the competencies of board members on an individual basis. This improves BBVA's disclosure on corporate governance.

VOTING ACTIVITY

We voted in favour of all three board members proposed for election at the last AGM; they were all approved by more than 97% of votes cast.



SAP SE EXECUTIVE REMUNERATION



ENGAGEMENT ACTIVITY

During the 2022 AGM, we voted against the remuneration report presented by the company. The overall level of dissent was 15%. The company's 2022 remuneration report contained several features which did not align with our expectations for good governance and our voting policy:

- First, a portion of the long-term incentive plan was time-based, contrary to the principle that executive compensation plans should pay out in relation to good long-term performance.
- Disclosure on some key features of the remuneration package was poor. The targets for each performance criterion under the Financial

performance Share Units (FSUs) of long-term incentive were not disclosed, inhibiting shareholders' ability to link the company's performance with executive remuneration, and the stringency of the criteria applied.

- Partial vesting at below-peer median performance levels under the relative TSR performance metric was possible, which also goes against our goal of not allowing pay rewards to be made when performance is below the median level of comparable peers.
- A total discretionary supplementary payment of €4.0 million was paid to the management board in 2021 based on 2020 results, a practice we do not support.

We engaged with the company following our vote.

OUTCOME

SAP SE will remove the time-based long-term component of the policy. This improvement brought this feature into line with our expectations. The company also said that it will review the KPI performance curve applied to short-term and long-term incentives.

FURTHER ENGAGEMENT

We will closely monitor whether it makes any amendments for the next AGM and we will continue our dialogue with the company on other issues.

OUR APPROACH TO VOTING AND ENGAGEMENT



CONTINUING OUR LEADERSHIP ON CLIMATE LOBBYING RESOLUTIONS IN THE US

ENGAGEMENT ACTIVITY

In 2020, we drafted a shareholder proposal encouraging companies to align their direct and indirect lobbying efforts with the goals of the Paris Agreement. That proposal has received six majority votes at the AGMs of US companies since 2020 (three of these majority votes were achieved by other investors) and is helping to raise the bar for all companies. Our proposal is being used as a template for two collaborative engagement initiatives in the US, Climate Action 100+ (CA100+), coordinated by Ceres, and by the Interfaith Center on Corporate Responsibility (ICCR). We are helping to advise both initiatives.

In 2022, we continued our leadership on this topic, submitting shareholder proposals to Exxon, General Electric and UPS, and continuing a number of dialogues with other companies.

We also helped to launch a Global Standard on Corporate Climate Lobbying, to more clearly detail our expectations (see 'Climate Lobbying in Europe' on page 58).

OUTCOMES

Exxon Mobil

Our proposal at Exxon Mobil received a 64% vote in 2021.

We resubmitted the proposal for the company's 2022 annual meeting, as we did not have a concrete commitment from the company to comply with our request until after the filing deadline. After a series of meetings with the company, we ultimately withdrew our proposal in exchange for the publication of Exxon's inaugural [climate lobbying report](#). The report contains the company's first public statement supporting alignment with the 'well below 2 degrees' goal of the Paris Agreement, and the first public

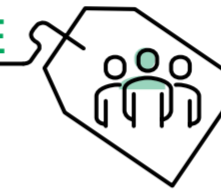


evidence that Exxon had conducted an assessment of the company's direct or indirect lobbying against any temperature goal. However, InfluenceMap gave the [review a score of 36/100](#), indicating scope for substantial improvement. The company committed to update this analysis and publish it annually. We are leading this engagement in partnership with Boston Trust Walden.

General Electric

We withdrew our proposal at General Electric, in exchange for a commitment to publish GE's first Paris-aligned lobbying report, which GE included in its 2021 Sustainability Report later in the year. We played an active role in the negotiations on the proposal, in partnership with the New York City Comptroller's Office, who served as lead filer.

COLLABORATIVE ENGAGEMENT



UPS

Our proposal at UPS, co-filed with Mercy Investment Services, received a 33% vote at the company's annual meeting. This was a relatively strong showing, although not the majority support we have received at other companies, possibly because of the company's dual class share structure. Towards the end of 2022, we resubmitted the proposal for the 2023 AGM.

Chevron

After a majority vote on our proposal at Chevron in 2020, followed by publication of its first climate lobbying report, Chevron did not produce any climate lobbying reporting in 2022. When we informed the company that we were considering resubmitting our proposal, the company informed us it will begin annual climate lobbying reporting with its next sustainability report in the spring of 2023.

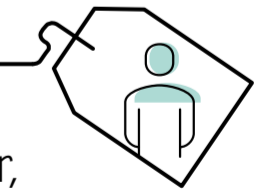


In 2022, we continued our leadership on corporate climate lobbying in the US, encouraging companies to align their direct and indirect lobbying efforts with the goals of the Paris Agreement. We submitted four shareholder proposals on corporate climate lobbying for the 2022 proxy season."

Adam Kanzer

Head of Stewardship - Americas

INDIVIDUAL ENGAGEMENT



To round out the year, in December, we also wrote to our largest holdings in each region (35 in Europe, 10 in the Americas and 10 in Asia Pacific) to provide them with our updated 2023 Governance and Voting Policy, as well as outlining our priorities for engagement during the year.

OUR APPROACH TO VOTING AND ENGAGEMENT

2

THEMATIC ENGAGEMENT: FOCUS ON THE 3Es

Our **'3Es'** – namely **'ENERGY TRANSITION', 'ENVIRONMENTAL SUSTAINABILITY', 'EQUALITY AND INCLUSIVE GROWTH'** – serve as the focus for our global engagement. This type of engagement is central to being a 'future maker'. It is designed to deliver a low-carbon global economy which 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.

We deliver this engagement through both collaborative and direct engagement. We aim to establish in-depth dialogues with companies,

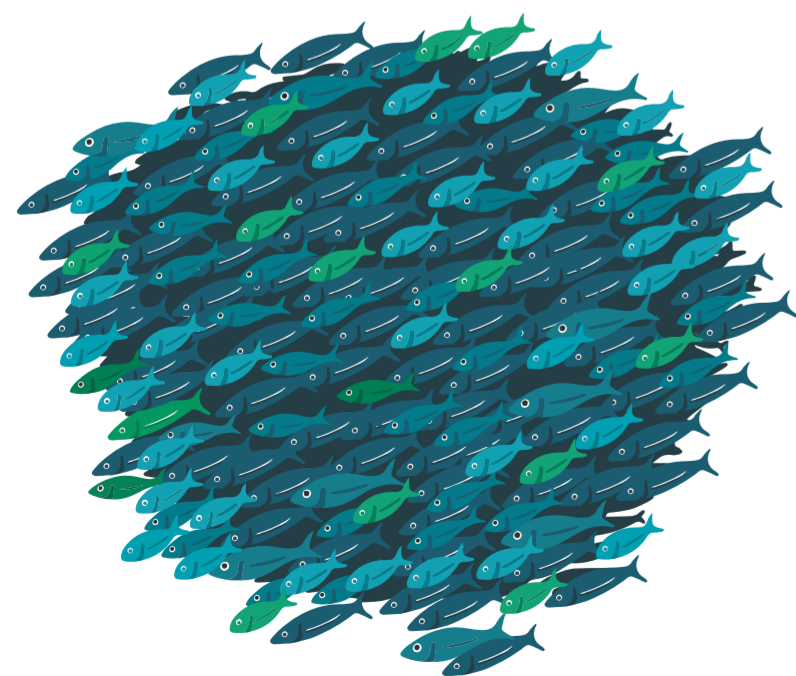
by, for example, encouraging them to:

- Align their corporate strategies and capital deployment with the goals of the Paris Agreement;
- Reduce their environmental impacts and dependency on nature;
- Provide greater opportunities for women 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 wealth is distributed more fairly across the value chain, where value is created.

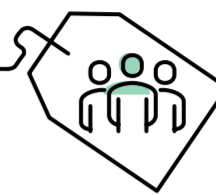
3Es: ENERGY TRANSITION

7. MAKING A SUBSTANTIVE CONTRIBUTION TO THE LOW-CARBON ENERGY TRANSITION

The majority of our engagement to drive the energy transition is undertaken through collaborative initiatives like Climate Action 100+ (CA100+) and the Asia Investor Group on Climate Change (AIGCC) Asian Utilities Engagement Programme. However, we also engage with companies individually to advance our financed emissions reduction goals.



COLLABORATIVE
ENGAGEMENT



CLIMATE ACTION 100+: ACHIEVING THE NET ZERO COMPANY BENCHMARK

Launched in 2017, this investor-led initiative works to ensure the world's largest corporate greenhouse gas emitters take the necessary action to stem climate change. Formed in the wake of the 2015 Paris Agreement, it aims to restrict the rise in global average temperatures to well below two degrees Celsius above pre-industrial levels and pursue efforts to limit warming to 1.5 degrees Celsius. BNPP AM is one of 700 investors, responsible for over \$68 trillion in AUM, that engage collaboratively with the world's largest emitters to improve climate change governance, cut emissions and strengthen their climate-related financial disclosures.

The initiative publishes regular updates to the Net Zero Company Benchmark (NZCB), which tracks companies' performance on ten key performance indicators and forms the basis of our engagement. On each indicator, companies can score 'Yes' (meets all criteria related to the indicator), 'Partial' (meets some criteria) or 'No' (does not meet any criteria). This benchmark provides investors and other stakeholders with a means by which to track progress by companies towards full achievement of all criteria. During the

year, CA100+ published updates both in March (based on disclosures made by 31st December 2021) and in October (based on disclosures made by 13th May 2022).

BNPP AM leads, or co-leads, engagement with ten companies: Iberdrola, Naturgy, Nestlé, Saint-Gobain, Repsol, Stellantis, Sinopec, Power Assets Holdings, PTT Pcl and Exxon Mobil. We also take part in other dialogues led by other investors in CA100+, including Danone and Unilever in Europe and Chevron, Delta, Dominion Energy, General Electric, NextEra and Southern Co. in the US, and lend our name to all engagements undertaken in the name of this initiative with all companies, in our capacity as supporter.

FURTHER ENGAGEMENT

Following the release of the October 2022 NZCB, we started to prepare for continuing engagement with the six European companies we co-lead or lead by developing engagement plans with participating investors as required by CA100+ and submitting them to the initiative. We also joined calls with the investor groups engaging with **Danone** and **Unilever**, which we support, to develop plans for engagement with these two companies.

OUR APPROACH TO VOTING AND ENGAGEMENT

The following examples all relate to our activity as the lead or co-lead investor, with an indication of how companies are progressing against the NZCB. We acknowledge that it is not our engagement alone that has led to any improvements shown.

Company	Collaborative activity	Outcomes	Company	Collaborative activity	Outcomes
REPSOL SA (Spain)	<ul style="list-style-type: none"> Held two calls with senior management and had several email exchanges. Requested that the company improve its approach to addressing and calculating Scope 3 emissions. Asked the company to offer a Say on Climate* vote at the AGM and provided model wording for management to consider. 	<ul style="list-style-type: none"> The company said it would review its approach to Scope 3 emissions and how it is communicated. It published a detailed statement on its climate strategy and included an advisory vote on its energy transition strategy on the 2022 ballot. (Voting activity: We voted against this item; see page 48). The company did not improve its score between the March and October 2022 benchmarks. 	NESTLÉ (Switzerland)	<ul style="list-style-type: none"> Held one call in December 2022 as a new co-lead with several senior representatives from different functions. Asked for a separate call to discuss how the company's current disclosure on climate lobbying could be improved (see below for more detail). Requested more detail in reporting about the specific decarbonisation measures the company plans to take across its supply chains. Asked for well-defined metrics in executive remuneration plans related to its GHG emissions reduction commitments; Asked whether the company plans to offer a vote on delivery of its transition plan. 	<ul style="list-style-type: none"> The company agreed to have a separate call in early 2023 to discuss how to improve its disclosure on climate lobbying. The company's score did not increase between the March and October 2022 benchmarks; they pre-dated the beginning of our engagement with the company.
STELLANTIS NV (the Netherlands)	<ul style="list-style-type: none"> Held several calls and had multiple email exchanges and calls in the run up to, and following publication on 1st March 2022, of its unified corporate strategy and transition plan (following the merger of PSA and Fiat). Outlined the necessary commitments and disclosure CA100+ investors expect. Requested that the company address remaining gaps in its disclosure after reviewing its new strategy. Outlined our expectations on lobbying (see separate section on page 58). 	<ul style="list-style-type: none"> The company's new strategy led to better scores on seven out of nine scored indicators of the October 2022 NZCB. It meets the expected standard of Indicators 1 and 2, and achieved a partial score on indicators 3, 4, 5, 8 and 10. By the end of the year, it had not published a review of its lobbying activity. 	IBERDROLA (Spain)	<ul style="list-style-type: none"> Given the company's relatively good performance on the NZCB, we focused on encouraging the company to improve its disclosure around climate lobbying, and its score on indicator 7. (See section below on lobbying.) 	<ul style="list-style-type: none"> Having made several improvements on the NZCB between March 2021 and March 2022, due to improvements in its disclosure by the end of last year, the company did not increase its scores on any indicators in the October 2022 benchmark. The company noted it had drafted a policy on climate lobbying which it intended to publish along with enhanced disclosure, by the end of 2022. An update carried out by InfluenceMap in the first quarter of 2023 of Iberdrola's climate lobbying and 'intensity' of its positive lobbying activity put the company in Performance B, making it one of the highest performers among CA100+ companies and in the utilities sector. However, by the end of the year it had not yet published its own review of the positions and activity of associations it belongs to.
SAINT-GOBAIN SA (France)	<ul style="list-style-type: none"> Had several calls and email exchanges to discuss the results of the March 2022 benchmark, particularly topics where the company did not score well. Urged the company to improve its disclosure of its Scope 3 emissions and green revenues. Pressed for better disclosure on how the company is aligning its Capital Expenditures (CAPEX) and future investments to deliver on its climate commitments. Asked the company to publish a review of its lobbying activities (see below). Asked for specific metrics within executive remuneration plans fully aligned to the company's GHG reduction targets. 	<ul style="list-style-type: none"> The March 2022 NZCB showed that the company improved its score on one indicator (10, disclosure) compared to March 2021. Its rating on indicator 7 (lobbying commitments and disclosure) fell to only 'Partial'. The company told us that it had started mapping its industry associations. We await its annual publications in 2023 to determine how it has improved its disclosure in this area. No improvements made on other indicators between the March 2022 and October 2022 benchmarks. 	POWER ASSETS HOLDINGS LTD. (China)	<ul style="list-style-type: none"> Held one call with the management team to review its performance against the March 2022 NZCB. 	<ul style="list-style-type: none"> We helped the company provide feedback to TPI on the areas it has been improving on, including climate governance with a board-level sustainability committee overseeing climate risk. Score on indicator 10 of the October 2022 NZCB on disclosure increased to 'Partial'.
NATURGY ENERGY GROUP SA (Spain)	<ul style="list-style-type: none"> Held two calls with company management to discuss the results of each NZCB. Provided feedback from Transition Pathway Initiative (TPI), the organisation that undertakes research for the NZCB, on how the assessment had been undertaken and guidance on how the company could improve its reporting to ensure that its transition plan and related activity would be fully reflected in future iterations of the NZCB. Asked the company to publish a review of its lobbying activities (see below). 	<ul style="list-style-type: none"> The October 2022 NZCB reflected many improvements with higher scores on four indicators: it meets the necessary standard for indicators 1, 2 and 4 relating to emissions reductions commitments and targets and improved its rating from being non-compliant to Partial on indicator 5 (decarbonisation strategy). 	PTT PCL (Thailand)	<ul style="list-style-type: none"> Had one call this year to continue previous engagement and encourage PTT Pcl to enhance its climate commitments in line with the expectations of the NZCB, starting with the first indicator of adopting a net zero by 2050 ambition. 	<ul style="list-style-type: none"> In March 2022 the company announced its plans to aim for 'net zero' GHG emissions by 2050, which resulted in an improvement in its score on indicator 1 to 'Partial'. The company also set up a new Net Zero Task Force to help drive its net zero ambitions and outlined other steps it is exploring to improve its climate strategy.

* Resolution on the agenda of the General Assemblies on climate change.

OUR APPROACH TO VOTING AND ENGAGEMENT

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Climate Action 100+ has been running for five years now and the requests are clear. If you're one of the largest corporate GHG emitters in the world and you don't have a meaningful net zero by 2050 target, we think it's time to escalate. For US companies, that means we're voting against the full board."

Adam Kanzer
Head of Stewardship – Americas



CLIMATE LOBBYING ENGAGEMENT IN EUROPE



OBJECTIVE

In addition to leading or co-leading engagement with ten CA100+ companies globally and helping to guide investor engagement on corporate climate lobbying globally, BNPP AM is one of three co-leads of a working group for CA100+ in Europe on corporate climate lobbying. Each year, this working group identifies those European companies that perform most poorly on this issue within the Net Zero Company Benchmark and identifies ways in which engagement can be stepped up to improve their performance. We then support the companies' CA100+ co-leads' engagement on lobbying or undertake separate engagement directly.

Our goal is to encourage companies to align their direct and indirect climate lobbying activities with the temperature goals of the Paris Agreement, and to produce annual reports on these efforts consistent with the **Global Standard on Responsible Corporate Climate**

Lobbying which we launched last year with other investors.

InfluenceMap, an independent think tank, **assesses CA100+ companies' policy positions and lobbying activity** on an ongoing basis, assigning each a rating from A to E. It also evaluates the quality of companies' lobbying reviews once they publish them and provides a score for each review out of 100. These assessments provide investors and other stakeholders with valuable tools to use to evaluate companies' performance and progress.

ENGAGEMENT ACTIVITY

In this context, we had discussions during the year with the following companies, providing them with detailed guidance on what is required to meet both the Investor Expectations and the Global Standard. Several have made good progress.

OUTCOMES

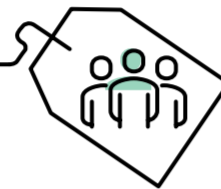
Air Liquide: the company published an update to its webpages on *'Engagement with Public Stakeholders'* to better reflect its commitments on climate change and related lobbying. Further, it committed to publish, once a year, an assessment of the positions and activity of the trade associations in which it is most active in Europe and the US. It accepted our offer, made towards the end of the year, to review its draft assessment. We provided an extensive critique and await the publication of the final assessment with the Universal Registration Document (URD) in March 2023.

CRH plc: in March 2022 the company published the lobbying review we had requested. InfluenceMap, an expert NGO that publishes analysis on companies' climate lobbying, gave the review a score of 36/100, indicating scope for substantial improvement.

OUR APPROACH TO VOTING AND ENGAGEMENT



COLLABORATIVE
ENGAGEMENT



AIGCC ASIAN UTILITIES ENGAGEMENT PROGRAMME

OBJECTIVE

Encourage Asian power utilities to accelerate coal phase-out.

ENGAGEMENT ACTIVITY

As co-lead for Tenaga Nasional Berhad (TNB) we had several meetings during the year. The company has announced a net zero ambition and has started to work on its decarbonisation plan and targets to achieve it. While its targets align with Malaysia's NDCs they are not yet sufficient to align with the Paris Agreement or with frameworks such as Science-Based Targets Initiative (SBTi). We underlined investors' expectations to phase out coal by 2040 at the latest for non-OECD based companies, the urgency of embedding an accelerated coal exit within its plans and aligning with frameworks such as SBTi.

OUTCOME

In August 2022, TNB announced that it is exploring the early retirement of its coal plants, and that as a start, one of its plants Kapar Energy Venture will shut one year before the expiration of its power production agreement (PPA). The company also explained other steps it is taking in relation to other PPAs and noted its intention to step up decarbonisation investments over the next two to five years.

FURTHER ENGAGEMENT

We will continue to engage with the company on the refining of its decarbonisation plan and to share global best practice, while working alongside other investors to emphasise to policymakers a sense of urgency in accelerating the transition and strengthening NDCs.

3Es: ENVIRONMENTAL SUSTAINABILITY

Reducing the negative environmental impact of our investments and stimulating positive impact.

BNPP AM PLAYS LEADING ROLE IN DEVELOPING AND LAUNCHING NATURE ACTION 100

In April 2021, we launched our [Roadmap for Biodiversity 'Sustainable by Nature'](#) which includes a dedicated Stewardship section outlining our high-level expectations of corporations and our plans to make nature loss a core focus of our corporate engagements. Much of our engagement on the environmental sustainability theme is driven by this roadmap, building on our years of engagement on deforestation.

In that paper, we announced that we were working to launch a collaborative investor initiative to reverse nature loss. Over the course of the past year, we have been meeting regularly with a core group of about a dozen institutional investors to determine the right approach.

The effort, which we're calling Nature Action 100, will have three work streams, guided by an investor-led steering group and a secretariat: Corporate Engagement, Public Policy Engagement and a Technical Advisory

Group (TAG), to ensure that our work is guided by the science and the latest tools. In October, we announced that after a focused RFP process, we selected Ceres and the Institutional Investors Group on Climate Change (IIGCC) to serve as secretariat and coordinate the corporate engagement workstream, and Finance for Biodiversity Foundation and Planet Tracker to coordinate the TAG.

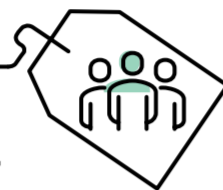
The Public Policy workstream will follow, after our initial work is underway. We participated in a 'soft launch' of the initiative at the COP15 in Montreal, in December 2022, and are working towards a more formal launch in spring 2023.

During 2023, we will identify the companies that will be the initial focus of the initiative. We expect the approach to be multi-sectoral, with an emphasis on those companies that are the most systemically important to reversing nature loss by 2030.

OUR APPROACH TO VOTING AND ENGAGEMENT



COLLABORATIVE ENGAGEMENT



IMPROVING DISCLOSURE OF ENVIRONMENTAL IMPACTS

OBJECTIVE

Improve corporate disclosure of impacts on climate, water and forests.

ENGAGEMENT ACTIVITY

In 2022, we participated in the annual CDP Non-Disclosure Campaign designed to encourage companies with big impacts on climate, forests and water to improve their disclosure using the long-established and widely used CDP questionnaires. We were among more than 700 investors with US\$140 trillion AUM that supported the engagement with 1,468 companies. We selected 379 companies to engage with by signing joint letters (on all three topics) and we led engagement with 14 companies with a focus on forests and water.

Climate Change

- Covers climate risk management and opportunities, and GHG emissions and targets.
- Additional modules for oil and gas, electric utilities, auto, food, beverage and tobacco and more, as well as for the Supply Chain Programme.

Water

- Questions focused on current state, water risk assessment and opportunities, water accounting, governance, strategy, compliance, targets and initiatives.
- Companies targeted in water-intensive sectors.

Forests

- Responses based on four main forest risk commodities: timber, cattle products, palm oil, and soy.
- Questions focused on deforestation risks, business opportunities, deforestation policies and targets, supply chain, engagement, traceability and certification.

OUTCOMES

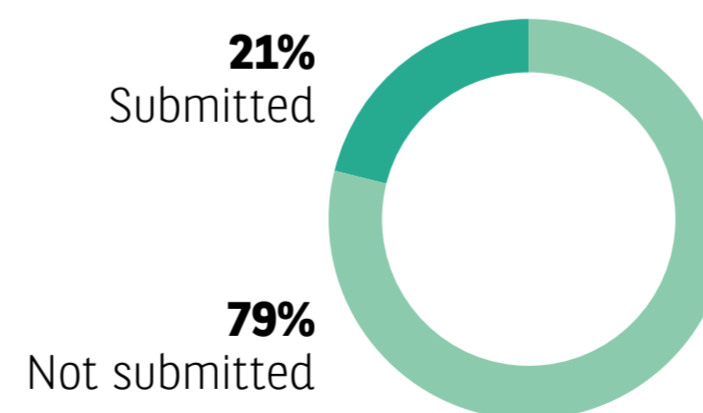
Overall, the campaign had a 27% success rate, with 390 companies disclosing via at least one CDP questionnaire (vs. 25% in 2021 and 21% in 2020).

- Breakdown of the final submission results for all 3 themes and the combined 'distinct' results

	Engaged	Disclosed	%
CLIMATE CHANGE	1,052	295	28%
FORESTS	405	46	11%
WATER SECURITY	551	104	19%
DISTINCT COMPANIES	1,468	390	27%

In relation to the engagement where we were directly involved, we had an encouraging 21% success rate, in terms of companies actually disclosing to CDP as of 2022.

- Company responses to BNPP AM's engagement



Success rate per theme

- Climate: **21%**
- Forest: **19%**
- Water: **22%**

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As human activity increasingly strains the world's natural resources and drives climate change, joining the CDP Non-Disclosure Campaign was a logical step for us. Boosting corporate transparency around climate, deforestation and water security is key not only for companies to monitor and improve their practices, but also for investors to manage their risk exposure and seek new opportunities. We believe collective engagement is an efficient avenue to do so. In this regard, the positive results of this first campaign are promising."



Paula Meissirel
Stewardship Analyst

OUR APPROACH TO VOTING AND ENGAGEMENT

FOOD SYSTEM TRANSFORMATION

Given the enormous impact the current food system has on the climate, nature and people's health, this year we consolidated and ramped up our engagement to drive a transformation towards a healthier and more sustainable food system.

This was achieved principally but not exclusively by working with three collaborative engagement initiatives:

- Access to Nutrition Initiative (ATNI);
- Farm Animal Investment Risk and Return Initiative (FAIRR);
- ARE's Asia Protein Transition platform.

We focus here on our engagement through ATNI and FAIRR because the Asia Research and Engagement (ARE) platform was only launched in December. We will report more on our work through that platform next year.



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It is critical that companies and investors act now to counter the considerable risk of investing in unsustainable food practices. Deforestation linked to production of crops such as soy and beef has been described as the 'new coal' in portfolios. That is, investment in companies that drive deforestation can generate financial, regulatory and reputational risks. We also believe that it is in our interests, and those of our clients and our stakeholders, to encourage governments and other policymaking bodies to provide the frameworks and guidance needed to support the transformation of the global food system."

Rachel Crossley

Head of Stewardship – Europe

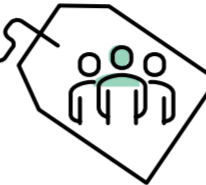


OUR APPROACH TO VOTING AND ENGAGEMENT



INCREASING HEALTHY FOOD SALES BY MAJOR EUROPEAN FOOD RETAILERS

COLLABORATIVE AND INDIVIDUAL ENGAGEMENT



ENGAGEMENT ACTIVITY

In May, the Access to Nutrition Initiative (ATNI) published the first-ever UK Retailer Access to Nutrition Index that rated the ten largest food retailers' performance in tackling the high rates of diet-related disease in the country. Using the ATNI scorecards and in the context of the Investor Expectations on Nutrition, Diets and Health, which we support, we co-led engagement with **Tesco plc** and supported engagement with **J Sainsbury plc**.

We kicked off our engagement by writing to the CEOs of each company. Our aim was to encourage them to address weaknesses identified by ATNI's extensive research. In addition, because as yet there is no equivalent to the ATNI index for European food retailers, we wrote directly to **Carrefour SA** and **Ahold Delhaize NV** to ask to discuss their commitments and approach to increasing sales of healthy foods and otherwise supporting food system transformation.

OUTCOMES

J Sainsbury plc

J Sainsbury plc agreed to address some of the requests we made, such as being more transparent about its membership of industry associations and public policy positions on health and nutrition issues and to review its policy on marketing breast-milk substitutes.

It also agreed to consider creating an external, independent stakeholder council, made up of experts, to advise the board on its nutrition and health strategy.

J Sainsbury plc was reluctant to put more information in the public domain about how it applies its nutrient profiling model or to set a value-based sales target for healthy products; we will continue to press for this transparency during our engagement in 2023.

Tesco plc

While Tesco plc ranked first on the ATNI Index, its score of only 5.2/10 revealed that it had scope to do more. During our engagement the company reiterated various initiatives already in place related to diets and health and clarified some aspects of those initiatives. However, we were disappointed that it did not make any firm commitments to improve its performance on any items we raised.

We will send another letter in early 2023 to the CEO to reiterate our requests.

Ahold Delhaize NV

Ahold Delhaize NV explained its thinking on sustainable healthy diets and how it sees its approaches evolving. The company began a stakeholder consultation soon after our engagement designed to inform its next steps and new commitments.

We contributed to that consultation and will review any new plans Ahold Delhaize NV publishes in response.

Carrefour SA

Carrefour SA explained its thinking on sustainable healthy diets and how it sees its approaches evolving. The company has recently conducted a similar exercise and launched in November its new strategic plan out to 2026. Its redefined corporate purpose is 'Food Transition for All' and it will continue to deliver its 'Act for Food' programme. Rather than setting a target for sales of healthy products, it has set targets to increase by 40% from 2022 levels sales of certified, sustainable products, to €8 billion by 2026 and to achieve €500 million in plant-based sales in Europe. It has set other targets for food waste, emissions reductions and deforestation.

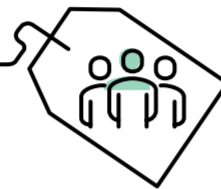
We will continue to engage with the company to ensure that it places a firm focus on improving the healthiness of its products alongside addressing the other important environmental impacts of food production.



OUR APPROACH TO VOTING AND ENGAGEMENT



COLLABORATIVE ENGAGEMENT



ACCELERATING THE PROTEIN TRANSITION

OBJECTIVE

Secure commitments from European retailers to increase sales of sustainable proteins.

ENGAGEMENT ACTIVITY

Through our membership of FAIRR, we joined the 2022 collaborative engagement initiative on protein diversification. In total, 84 investors with almost US\$23 trillion AUM from among FAIRR's signatories supported this engagement. BNPP AM joined calls with **Carrefour SA** and **Ahold Delhaize NV**.

Each discussion focused on the company's view of the materiality of the issue of sustainable proteins, its strategy with respect to sustainable proteins, emissions measurement – particularly Scope 3* – as well as consumer engagement, marketing spending and reporting.

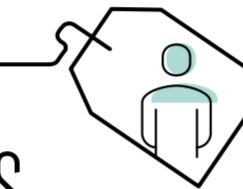
OUTCOME

In October, FAIRR published an interim qualitative assessment based on progress made by the companies since the previous engagement, using its own evaluation framework, and provided a forward-looking outlook on the companies' preparedness to take advantage of coming protein transition. **Ahold Delhaize NV** was rated eleventh out of 58, given a positive outlook, and put in the 'proactive' category. **Carrefour** was rated seventeenth, also given a positive outlook and categorised as being 'active' on this agenda. The companies will be fully assessed and rated again on FAIRR's Sustainable Proteins Index in 2023.

* Indirect emissions not related to the consumption of electricity, heat or steam needed to manufacture the product.



INDIVIDUAL ENGAGEMENT



IMPROVING HAZARDOUS CHEMICAL DISCLOSURE

OBJECTIVE

Improving chemical companies' disclosure of chemical management.

ACTIVITY

In the autumn, we wrote to 29 chemical producers in Europe and the US to ask them to review their preliminary ratings on the ChemScore benchmark, and to engage with ChemSec, the Swedish NGO that publishes the ratings in order to ensure that their final scores captured all relevant information. ChemScore provides investors and other stakeholders with consistent, comparable information on the efforts of the world's largest chemical producers to reduce their chemical footprint and transition to portfolios of safer, less persistent chemicals. It also rates companies' chemicals management strategies.

Better disclosure of this type of information helps us to score these companies more accurately in our ESG ratings, thus feeding into investment decisions, and helps us to identify key areas for engagement.

OUTCOMES

The vast majority of the companies, recognising the importance of reporting on their chemical footprint, engaged with ChemSec. Two companies did not: **Bayer** (Switzerland) and **Mosaic** (US). (Notably, towards the end of the year **3M**, one of the companies we contacted, announced it would be phasing out the production of 'forever' chemicals. Although we cannot claim credit for this significant victory, we believe it attests to the importance of supporting ChemSec's work, joining four others that had already done so.)

FURTHER ENGAGEMENT

The 2022 ChemScore was released in December. We have signed up to take part in collaborative engagement in 2023 using the ChemScore scorecards as the basis for that engagement, and under the auspices of a new initiative: the Investor Initiative on Hazardous Chemicals (IIHC). BNPP AM will also serve on the Steering Committee for this initiative.

OUR APPROACH TO VOTING AND ENGAGEMENT

3Es: EQUALITY AND INCLUSIVE GROWTH

Promoting a more equitable and sustainable distribution of value to ensure the long-term stability and resilience of societies and ecosystems



IMPROVING BOARD INDEPENDENCE AND GENDER DIVERSITY

INDIVIDUAL ENGAGEMENT



ENGAGEMENT ACTIVITY

One set of expectations in our voting policy is that boards have sufficient independence and gender diversity. Extensive evidence shows that companies with more diverse boards or management teams generate more sustainable value creation over the long term. Our goal is for 40% of all board members to be women by 2025 in all markets.

We set out our expectations on gender diversity in our 2022 voting policy: for Europe, North America, Australia, South Africa and New Zealand, we expected a minimum of 30% female board membership, and in Latin America, Asia, Middle East and Africa (ex. South Africa) our threshold

was 15%. (Under certain conditions, we will support boards with a ratio just below this, for example, if the company has made significant improvements in recent years or commits to reaching our thresholds within two years.)

In 2022, as in previous years, to advance our goal, we identified 40 companies (14 in Europe, 11 in North America and 15 in Asia) held in our active equity portfolios to engage with because their board diversity was not in line with our expectations.

OUTCOME

We achieved a **50% success rate** with these companies, meaning 20 companies adopted changes on gender diversity

in line with our expectations. These results informed our votes in relation to board members' (re-)elections at these companies, which are guided both by gender diversity levels or commitments, and independence levels.

VOTING ACTIVITY

We supported board members' elections at 13 companies (32%), but at seven companies (18%) even though the gender diversity met our threshold we opposed board members' elections for other reasons. At the AGMs of the other 20 companies (50%), their failure to meet this threshold meant we opposed the (re-)election of one or more male board directors. Today, the percentage of women on boards in our portfolios exceeds that in the ISS universe of listed companies.

ENGAGEMENT ACTIVITY

At **Telefonica SA's 2021 AGM**, although the company had a high level of board independence (53%), we did

Our goal is for
40%
of all Board
members to be
women by 2025

not support the (re)election of all directors because the proportion of female directors was 29%, just below the required minimum level of 30% set by our voting policy. We discussed this issue with the company before and after the 2021 AGM and sent a letter in 2022, for the second consecutive year, outlining our gender diversity expectations.

Similarly, we engaged with **Tencent** during 2021 and 2022 and voted against all male directors last year.

OUTCOMES

On a call just ahead of the 2022 AGM, **Telefonica SA** confirmed the appointment of a new independent female board director. This increased women's representation on the board to 33%, above our minimum threshold. We therefore supported all director (re)elections (Items 4.1 to 4.5) in the absence of any other concerns.

Tencent also added a female director to its board in the third quarter.

This boosted the percentage of women from 12% to 22%, in line with our threshold for Asia, which means that at next year's AGM, we will not vote against directors for this reason.

OUR APPROACH TO VOTING AND ENGAGEMENT

ADDRESSING FORCED LABOUR IN THE APPAREL AND FOOTWEAR SECTOR

In 2019, we joined 160 investors managing more than US\$7 trillion AUM to endorse a set of investor expectations for addressing forced labour in global supply chains. The statement was coordinated by the Investor Alliance for Human Rights (IAHR) and Know the Chain, an organisation that produces benchmarks of company policies and procedures to combat forced labour in the apparel and footwear, the information and communications technology (ICT) and food and beverage sectors.

Forced labour is a particularly salient risk within the business operations and supply chains of apparel and footwear companies, an industry increasingly reliant on migrant workers. At least 25 million people are currently estimated to be victims of forced labour,

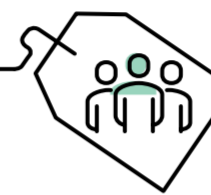
coerced to work under threats of violence, imprisonment and intimidation, in supply chains supporting many of the world's favourite brands.

In the fourth quarter, we signed up to the collaborative investor engagement initiative coordinated by Know the Chain and IAHR to open dialogue with apparel and footwear companies to tackle these issues.

In 2023, we plan to engage with eight companies in both lead and supporting roles. The aim of the engagement is to secure specific improvements to practices and reporting based on performance weaknesses identified by the 2020/21 Know the Chain benchmark.



COLLABORATIVE
ENGAGEMENT



PROTECTING HUMAN RIGHTS IN THE DIGITAL SPHERE

ENGAGEMENT ACTIVITY

BNPP AM is a board member of the Global Network Initiative (GNI), a multi-stakeholder organisation focused on addressing threats to freedom of expression and privacy in the information and communications technology (ICT) sector. Specifically, GNI focuses on requests by governments to censor content or seek information from companies on their consumers.

GNI has established a set of Principles and Implementation Guidelines, based on the UN Guiding Principles on Business and Human Rights, to guide company decision-making and uphold the rule of law. Corporate members of the GNI, which include some of the largest internet and telecommunications firms in the world, agree to adhere to the Principles and to subject themselves to periodic independent assessments of their compliance with that commitment.

We participated in seven GNI company assessments during the year.

The non-company members of the GNI board (investors, academics, human rights groups) review assessment reports prepared by external auditors and law firms, question the assessors and companies, and vote whether each company is upholding their GNI commitments 'in good faith, with improvement over time'.

A public report will be published by GNI at the end of this process, with details on each company's assessment, in addition to public reporting by the GNI companies themselves.

BNPP AM SIGNS UP TO ADVANCE, A NEW PRI COLLABORATIVE ENGAGEMENT INITIATIVE ON HUMAN RIGHTS

In December 2022, PRI launched its new collaborative engagement initiative called [Advance](#). BNPP AM was among 220 investors to sign up. Overall, the initiative has the support of over US\$30 trillion AUM. It will encourage companies to fully implement the UN Guiding Principles on Human Rights and the OECD Guidelines for Multi-National Companies (MNCs), thereby contributing to delivering equality and inclusive growth. It will run for five years and tackle companies across several sectors. We will co-lead engagement with **Arcelor Mittal** starting in 2023.

OUR APPROACH TO VOTING AND ENGAGEMENT

3

ENGAGEMENT LINKED TO ISSUERS' ESG PERFORMANCE

Engagement related to our Responsible Business Conduct (RBC) policy

In order for us to be able to invest in companies, they must:

- 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;
- maintain good **ESG performance** to mitigate ESG risks across portfolios.

These requirements are codified with 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 which do not respond to engagement and show no signs of improving and are therefore considered as not in line with our RBC. In total we engaged with nine companies in relation to our RBC policies, some on multiple issues:

- **Coal policy:** Of four companies we engaged with due to concerns that they did not comply with the requirements of our coal policy, three were found to be in breach and excluded from our portfolios.
- **Human rights:** We engaged with four companies over concerns about their human rights policies and practices. All provided sufficient information or assurance and remain on our watchlist.
- **Climate change and biodiversity issues:** We engaged with three companies on these issues. In two cases, they remain on the watchlist. One company was excluded due to being in breach of our coal policy.

66

We continued our engagement in relation to corporate thematic and sovereign bond issuances. We also joined a collaborative sovereign engagement initiative facilitated by the PRI. Our goal is to shape companies' and governments' policies and practices over the medium to long term by outlining our view about how such issuances can be best structured to tackle critical sustainability challenges."



Arnaud-Guilhem Lamy
Head of Euro Aggregate Fixed Income

Engagement with companies with low ESG scores

We have a dedicated engagement process with companies with low ESG scores on our internal ESG rating system. This process is closely linked to our voting, in the sense that companies that are not responsive to our engagement will be sanctioned, i.e. we may vote against or abstain on key items (discharge of board members, board elections or financial statements, as available and appropriate).

We wrote to 41 companies that scored poorly to request a dialogue about the apparent weaknesses we identified. By the end of the year, we had had discussions with ten companies, outlining to them where we felt improvements could be made.

Our next revision of the ESG ratings will reveal whether these companies' performance has improved. We will report next year on the final outcome of those engagements.

Engagement with fixed income asset issuers

We are becoming increasingly active in our engagement with bond issuers. We see this as an important part of our stewardship activity. We continued to strengthen and apply our frameworks for assessing green, social and sustainability bonds, which provide the basis for our engagement with issuers of those bonds.

Engagement with corporate bond issuers

Debt investors are more limited in their ability to influence bond issuances compared to equity investors, given the legal mechanisms available and how the market functions. 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; ad-hoc interactions occur with management when warranted, as well as one-to-one meetings with management during conferences.

We outlined on page 37 how ESG ratings are integrated into fixed income instrument selection. In addition, each year or prior to initial investment, the credit analysts within our 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 in relation to thematic bonds

We seek to engage with issuers in both developed and developing markets, as well as with multilateral agencies. We engage on a one-to-one basis and join roadshows where issuers present to multiple investors at the same time.

OUR APPROACH TO VOTING AND ENGAGEMENT

During 2022, our bond specialists within the ESG research team had 64 interactions in relation to thematic bond issuances, compared to 63 last year. In 2022, 58 were within developed markets, six with emerging markets.

Some of these interactions were ex-ante, i.e. prior to issuance, and others focused on reporting post-issuance. 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.

Our engagement can focus 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 being selected, or 'less desirable' assets being dropped from the eligible portfolio.

Examples of our engagement

Sovereign and sub-sovereign bond issuers

We engage in dialogue with sovereign and sub-sovereign bond issuers about the terms of their bonds and on the countries' policies and frameworks that govern their green, social and sustainability bond issuances. This year we had 30 such dialogues, including:

- **Kingdom of Denmark – Green Bond issuance, January 2022:** We had a one-to-one call with Denmark's Treasury to discuss the issuer's green bond framework ex-ante and the proposed ex-post reporting. We were pleased to hear of the co-operation between ministries about the final allocation of the proceeds and the clear link of the bond to the EU Taxonomy. Moreover, the Climate Act provides stability to the Green Bond Programme because the whole Parliament is accountable for delivering it. We asked the issuer to consider quantifying how the green bond would contribute to the country's climate strategy.
- **Canada – Green Bond issuance, March 2022:** We had a one-to-one call with Finance Canada and Environment and Climate Change Canada to discuss the issuer's green bond framework ex-ante and the proposed ex-post reporting. We were pleased to learn that eligible expenditures are scored according to various considerations such as indigenous impacts and their links to national existing programmes. Further, the issuer confirmed it plans to report annually.

- **Italy – Debt Management Office discussion, June 2022:** Members of our ESG research team and the sovereign portfolio managers had a call in June 2022 to discuss the macro-economic and the debt management outlook of the country. We encouraged them to consider updating their Green Bond Framework and potential issuances in 2022.
- **Greece – Minister of Finance, September 2022:** We joined other investors for an in-person with the Minister of Finance of Greece and Chair of the Council of Economic Advisors, organised by JP Morgan. The Minister outlined the improving condition of the Greek economy and the Greek government's approach to the current energy crisis. He noted that the Greek Treasury and PDMA have developed a Green Bond Framework but were reluctant to pursue green bond issuance at the current time. We encouraged the Minister to introduce the framework to investors via a non-deal roadshow in order to solicit their feedback before deciding whether or not to go ahead with issuances.
- **Uruguay – Head of the Debt Management Office at the Ministry of Economy and Finance, October 2022:** Our sovereign ESG analyst discussed the issuance of a new Sustainability-linked bond (SLB). The country's intention is to mainstream its goals related to the Paris Agreement and to link them to financial consequences, while highlighting the country's ESG credentials and ambitious environmental agenda.

The issuer outlined their view that the two-way pricing structure of the transaction would allow Uruguay to create incentives to achieve substantial progress in the creation of environmental public goods, such as the reduction in GHG emissions and the preservation of native forests. We informed the issuer that investors such as BNPP AM integrate and analyse ESG indicators and metrics such as the sovereign carbon footprint at the issuer level. At the instrument level, we support Use of Proceeds instruments rather than SLBs because it is very challenging to track the positive impact of an individual issuance without annual impact reporting and the ex-post stage of the analysis.

Agencies and supra-nationals

We made good progress this year in establishing a framework to analyse agencies and supra-nationals. The framework looks at the social mandate of these agencies and uses various environmental metrics and maps their activities against the SDGs. We regularly monitor the activities of these agencies and engage with them if we have any questions. Examples included calls with **World Bank / International Bank for Reconstruction and Development (IBRD)** to discuss their sustainability bonds, with **KfW** to discuss the role it had played in the bailout by the German government of the energy company **Uniper** and with the **Council of Europe** to discuss this issuer's Social Bond Framework.

THIS YEAR WE HAD 30 DIALOGUES WITH SOVEREIGN AND SUB-SOVEREIGN ISSUERS.

OUR APPROACH TO VOTING AND ENGAGEMENT

8. SUSTAINABILITY NET ZERO COMMITMENT

COLLABORATIVE SOVEREIGN ENGAGEMENT ON CLIMATE CHANGE

In 2022, BNPP AM joined the PRI-coordinated Collaborative Sovereign Engagement on Climate Change. We are one of seven investors that sits on its advisory committee.

Governments have a pivotal role to play in achieving net zero in many ways, particularly by creating an enabling environment for the private sector. Through public expenditure, policy and regulation, policymakers can set norms and incentives to transition whole economies to net zero.

Sovereign debt accounts for a large share of global assets under management - an estimated US\$60 trillion. It is therefore essential that investors address climate risks associated

with this asset class to achieve their net zero commitments.

Through engagement with sovereigns, this pilot initiative of the PRI supports institutional investors to reduce their exposure to risks associated with a failure to rapidly transition to net zero, including risks to sovereign debt holdings, and the systemic risks that diversified and universal investors face.

The goal of the initiative is to support governments and associated entities, like financial regulators and central banks, to take all possible steps to mitigate climate change risks in line with the Paris Agreement.

The investor group identified major sovereign issuers where collaborative engagement could have the greatest impact based on these issuers' contribution to the risks investors face related to climate change. Following the election of a new government in Australia, the investor group saw an opportunity to support climate policy action there.

The Advisory Committee discussed proposed climate legislation, which aims to reduce greenhouse gas emissions by 43% by 2030 compared to 2005 levels. However, studies have shown that to reach a 2°C scenario, a 51% reduction in emissions is required, while to reach 1.5°C, a 74% emissions reduction

would be required. This is significantly higher than what the new government is proposing. Following the introduction of the **Climate Change Act**, the group approached several different government entities to ask for meetings to better understand how different institutions view their role in managing climate risk across the financial system. To date, discussions have been held with the Australian Treasury and the Australian Office of Financial Management. Requests are pending with the Department of Climate Change, Energy, the Environment and Water and the Climate Change Authority with equivalent requests. The group intends to have similar engagement with other sovereign issuers in the future.



OUR APPROACH TO VOTING AND ENGAGEMENT

POLICY ADVOCACY

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 is integral to the fulfilment of our fiduciary duties to our clients.

One of the core tenets of the Principles for Responsible Investment, 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 [Public Policy Stewardship strategy](#) is available on our website.

We also operate within the provisions of the Group's [Charter for Responsible Representation with Respect to the Public Authorities](#). Our [Public Policy Stewardship strategy](#) is available on our website.

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 policy makers individually, we favour engagements undertaken in partnership with other investors, in formal or informal networks, wherever possible.

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 fora**, 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.

Examples of our policy engagements:



GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON THE CLIMATE CRISIS

We again signed the annual Global Investor Statement to Governments on the Climate Crisis ahead of COP27* in Egypt in November 2022. This statement was the most ambitious so far, with 533 signatories representing almost US\$39 trillion AUM. It called on governments to ensure that the 2030 targets in their Nationally Determined Contributions (NDCs) align with the goal of limiting global temperature rise to 1.5°C and to implement domestic policies and take early action to realise that goal.

More specifically, it called for the effective implementation of the Global Methane Pledge to reduce emissions by 2030 by at least 30% from 2020 levels. It also encouraged governments to scale up the provision of climate finance from the public and the private sector for mitigation, and for adaptation and resilience, with a particular focus on the needs of developing countries. Finally, it urged countries to strengthen climate disclosures across the financial system through TCFD-aligned reporting.



U.S. SEC: THE ENHANCEMENT AND STANDARDISATION OF CLIMATE-RELATED DISCLOSURES FOR INVESTORS

Building on work started in 2021, the U.S. Securities and Exchange Commission (SEC) proposed a rule that would require publicly traded companies to disclose comprehensive information about their approach to tackling climate change, including Scope 1** and 2*** GHG emissions, and Scope 3**** emissions for companies that have set Scope 3

reduction targets, or for which such emissions are material. The rule also includes details on governance and stated commitments, supported by attestation requirements. We contributed to the BNP Paribas Group comment letter, expressing broad support for the rule and recommending that Scope 3 disclosures be mandated



INVESTOR CALL FOR GLOBAL ROADMAP TO 2050 FOR FOOD AND AGRICULTURE

Along with other investors representing US\$17.45 trillion in AUM and organised by FAIRR, we signed a letter that called on the Director General of the United Nations Food and Agriculture Organisation (FAO) to produce a Global Roadmap for the Agriculture, Food and Land-Use sectors. These sectors account for over 30% of total global emissions.

The roadmap would set out the actions needed by food system actors to achieve a 1.5°C future by 2050. The lack of this type of guidance hinders countries' ability to include food system related emissions reductions in their National Determined Contributions (NDCs). The FAO Director General announced at COP27 that the organisation would produce a roadmap for COP28.

* Conference of the Parties. / ** Direct emissions from fossil fuel combustion. / *** Indirect emissions related to the consumption of energy, heat or steam needed to manufacture the product. / **** Other indirect emissions related to the manufacture of the product or its use by customers.

OUR APPROACH TO VOTING AND ENGAGEMENT

INTERNATIONAL

UN Plastic Pollution Treaty High Ambition Business Coalition

We have long actively supported efforts to address the global plastics crisis. In 2018, we endorsed the **New Plastics Economy Global Commitment** launched by the Ellen MacArthur Foundation and the United Nations Environment Programme (UNEP), followed by the call for implementation of **Extended Producer Responsibility schemes for packaging**. We are also a member of the **PRI Plastic Investor Working Group**.

In 2021, BNPP AM became a signatory to the Business Call for a UN Treaty on Plastic Pollution, urging UN Member States to establish an Intergovernmental Negotiating Committee (INC) at United Nations Environment Assembly (UNEA) 5.2 to develop an ambitious international, legally binding instrument on plastic pollution, which it did.

The treaty negotiation process, expected to conclude at the end of 2024, will largely determine the trajectory of the plastic pollution crisis for generations to come. In anticipation of the first meeting of the INC in November 2022, in September we signed the statement of the multi-stakeholder [Business Coalition for a Global Plastics Treaty](#) convened by the Ellen MacArthur Foundation and World Wildlife Fund (WWF). The statement outlines the characteristics members hope the UN treaty will embody. BNPP AM spoke on behalf of the coalition at a multi-stakeholder event in the run up to the first INC meeting held in November 2022.

EUROPE

We participate actively in several trade associations through their dedicated committees and working groups on sustainable finance and stewardship. We have long-established memberships in many national associations such as Association Française de la Gestion Financière (AFG, France), Association of the Luxembourg Fund Industry (ALFI, Luxembourg), Belgian Asset Management Association (BEAMA, Belgium) and Assogestioni (Italy), and also at the European level in European Fund and Asset Management Association (EFAMA) and International Capital Market Association (IMCA). We have contributed to several consultations and calls for evidence during the year.

ESMA call for evidence on the Shareholder Rights Directive 2

The Shareholder Rights Directive, as amended by the SRD2, lays down a common regulatory framework with regard to the minimum standards for the exercise of shareholder rights in EU-listed companies. By facilitating the involvement of shareholders in the corporate governance of investee companies, the SRD2 aims to encourage their long-term engagement with EU-listed companies to enhance sustainable long-term value creation in EU capital markets.

We provided our own answer to the Call for Evidence from the European Securities and Markets Authority (ESMA) and contributed

via our trade associations (AFG, Eumedion and EFAMA). Questions related to market participants' perception of the scope and effectiveness of the SRD2 provisions.

We also participated in a direct discussion with the ESMA at a full-day event in November. Our principal message was that we consider the current legal framework developed by SRD2 in relation to proxy advisors to be sufficient and the role of the Best Practices Principles Oversight Committee (BPPOC) to be an adequate self-regulation system. Our Global Head of Stewardship is a member of BPPOC.

ESMA consultation on ESG rating providers

ESMA also called for evidence on the market characteristics for the Environmental, Social and Governance (ESG) Rating Providers in the European Union. BNPP AM contributed through a consolidated response of BNP Paribas Group as well as through trade associations.

We urged the EU to create a holistic regulatory framework for data and rating providers (for both financial and non-financial information).

We advocated for a similar approach to that applied to the proxy advisor industry, with a code of conduct, and a 'comply or explain' model overseen by the BPPOC. This oversight should provide the market with independent assurance that providers are meeting agreed

best practices, serving the interests of their customers while treating issuers and other stakeholders fairly, with accuracy, integrity and responsiveness.

We expressed the view that the framework should focus on increasing data and rating providers' transparency on the methodologies used, on how data is obtained and verified, as well as accountability requirements, notably tackling conflicts of interest, market abuses, and an open dialogue with rated companies.

OUR APPROACH TO VOTING AND ENGAGEMENT

APAC

Monetary Authority of Singapore consultation on proposed disclosure requirements for retail ESG funds

The Monetary Authority of Singapore (MAS) issued an industry consultation on Proposed Disclosure Requirements for Retail ESG Funds. We participated in an engagement session with MAS, as members of the group which drafted the Singapore Environmental Risk Management guidelines. Our Global Head of Sustainability Jane Ambachtsheer was also appointed to the MAS Sustainable Finance Advisory Committee during the year.

The focus of the regulation is quite similar to the approach taken by the Hong Kong Securities & Futures Commission (SFC) with its circular on ESG funds, i.e. focusing on funds that call themselves ESG/sustainable and have ESG as a key investment focus.

MAS confirmed that they were aware of – and wanted to limit – compliance and regulatory burden. As such, they are considering accepting disclosures under the EU SFDR as sufficient under the planned Singapore regime, once the fund has received its initial approval as an ESG fund by MAS.



A CRUCIAL YEAR FOR SUSTAINABILITY STANDARDS DEVELOPMENT

Background

In April 2022, the [European Financial Reporting Advisory Group \(EFRAG\)](#) – a multi-stakeholder expert body that provides technical advice to the EC – published its draft European Sustainability Reporting Standards (ESRS). The EFRAG launched a public consultation in August.

The purpose of the standards is to specify the new sustainability reporting requirements of the amended Accounting Directive. In parallel, the International Financial Reporting Standards (IFRS) Foundation established the International Sustainability Standards Board (ISSB) to ‘deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies’ sustainability-related risks and opportunities to help them make informed decisions.’

We believe these standards will be critical both to driving more sustainable corporate practice through more comprehensive and consistent reporting as well as to facilitating sustainable finance and investment. We dedicated substantial time to reviewing and commenting on them, working closely with BNP Paribas Group.

Our views of the two sets of proposals

We welcomed both initiatives and submitted written comments on the first two proposed draft IFRS exposure standards developed by ISSB: the General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures.

We outlined several perspectives:

• Start with climate reporting standards:

Given that climate risk is a global issue, we believe it needs to be addressed as a priority and consistently at the international level. Global standards are essential to ensure that all corporates publish the same type of information according to common methodologies; minimum requirements such as the EFRAG standards will be mandatory for all corporates within the scope of the Corporate Sustainability Reporting Directive (CSRD).

These standards will also enable investors to comply with their own disclosure requirements, based on data published by the companies in which they invest. The more real data that is available, the less investors will need to rely on estimates and proxies produced through varying methodologies that can differ significantly. While the degree of robustness is clearly embedded in the CSRD/EFRAG framework, it will only work to the extent that the ISSB standards are aligned and are adopted by all jurisdictions. Further, starting with standards on climate-related matters is appropriate, because market participants will need time to adapt and collect the required information.

While positive that the ISSB has made climate the only objective covered by its draft standards, this poses a challenge for EFRAG and the EU Commission. We believe they should align by first implementing climate reporting standards through interoperability with ISSB, in order to avoid a double burden of reporting and an uneven playing field with non-European competitors.

- **Interoperability:** Both for preparers and users of sustainability reports, it is essential that EFRAG adopt a ‘co-construction’ approach with the newly established ISSB in order to design a ‘common core’ of EU standards that fit exactly with internationally recognised standards and ensure interoperability. Adopting different regional approaches will create confusion and complexity and thus undermine the quality of information.
- **Align with TCFD:** We urged EFRAG to ensure that European climate standards are structured around the TCFD’s four pillars to enhance usability and comparability, not least because ISSB’s climate-related disclosure is based on the TCFD structure.
- **Clearly differentiate financial and sustainability reporting standards:** The dividing line between financial and sustainability reporting should be clear in both standards to avoid misalignment. While EFRAG clearly stated that the sustainability reporting provides information beyond what is already taken into account in financial statements, ISSB did not provide a similarly clear view on the frontier between financial reporting and sustainability reporting. This could lead to misinterpretation and misalignment between standards.

OUR APPROACH TO VOTING AND ENGAGEMENT



A GLOBAL DEBATE ABOUT WHAT IS MATERIAL TO INVESTORS

There is a critical concept at the heart of the EFRAG and ISSB proposals that has sharply divided investors and corporates around the world. In technical terms, it is a debate about 'materiality', but in common language, it is a debate about what matters to investors.

Are investors only interested in how external events affect the financial prospects of individual companies, or are we also interested in how corporate actions affect society, the environment, our economies and other companies in our portfolios? Do we want to understand how climate change may impact a company's prospects or do we also want to understand that company's contribution to global GHG emissions? The answer to those questions is critical because it determines what information is disclosed to investors and what information is left out.

If we're only concerned about how climate may impact a company, then that company's GHG emissions, climate strategy, etc., is only 'material' to the extent that it may have a foreseeable impact on the value of that company. That's a rather narrow lens through which to evaluate global systemic risk and, in practice, very little information about corporate climate performance is included in regulated securities filings. Further, very large global companies may be able to create significant harms that may amount to rounding errors on their books, due to their size. Diversified investors, however, carry all of these impacts. Without a full inventory, we cannot assess

which impacts are the most significant or where they are coming from. Without this information, we cannot hope to reverse the systemic risk of nature loss, climate change or even child labour. This also means that we cannot hope to mitigate some of the most significant financial risks to our clients.

The EU has offered a new term – 'double materiality' – in its Corporate Sustainability Reporting Directive (CSRD), requiring that *'companies have to report not only on how sustainability issues might create financial risks for the company (financial materiality), but also on the company's own impacts on people and the environment (impact materiality).'*

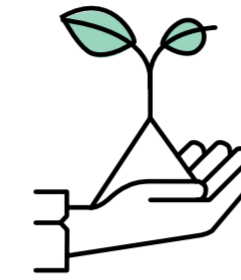
The concept is old, but the term is new. The Global Reporting Initiative (GRI) – the most widely used corporate sustainability reporting framework in the world – has always used a definition of materiality that is focused on a company's external impacts. And, in a sense, double materiality is a misnomer because all of this information is potentially material to the reasonable investor. Nevertheless, the term has helped to clarify the debate.

The EFRAG and ISSB consultations took very different approaches to this key question, with EFRAG following a 'double materiality' approach and ISSB focusing on information deemed necessary to evaluate a corporation's 'enterprise value.' In our comment letters, we supported EFRAG's approach and challenged the ISSB to take a more holistic view of risk.

We told ISSB that their focus was too narrow and failed to meet investor needs for information on corporate impacts on people, the planet and the economy, as well as how they contribute to systemic risks such as climate change and biodiversity loss. Investors need this information to better manage these risks and to assess enterprise value over the short, medium and long term. We followed up on these written comments during an in-person meeting with representatives of ISSB in New York.

This issue was also at the centre of a series of engagements we conducted with the Task Force on Nature-related Financial Disclosures (TNFD), an organisation that BNP Paribas Group helped to launch. TNFD's first iteration of its corporate reporting framework to address nature-related risks focused on enterprise value. It offered a framework for data collection and strategy development that, to us, appeared designed to help companies protect themselves from nature loss, as opposed to helping us all protect nature from destructive corporate activity.

Nature loss, like climate change, is a systemic risk. As such, we must focus first and foremost on the drivers of the crisis. After a series of in-person and written engagements with the TNFD secretariat, we believe TNFD is now moving in the right direction, with version 0.3 of the TNFD beta release reflecting explicit requirements for companies to measure and disclose both their impacts and dependencies on nature.



RESPONSIBLE BUSINESS CONDUCT

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

OUR APPROACH TO RESPONSIBLE BUSINESS CONDUCT

It is our belief that companies' business conduct impacts the value and reputation of entities in which we invest. We expect companies to meet their fundamental obligations to respect human and labour rights, protect the environment and ensure anti-corruption safeguards wherever they operate, in line with the UN Global Compact Principles and OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines).

We will avoid investing in companies in violation of these standards and companies struggling to meet the standards will be put on a watchlist. A series of policies set out the conditions under which we will invest in specific sectors and guide our screening requirements and related stewardship activities. These criteria are based on relevant international conventions and regulations (including the supplemental criteria

provided by the OECD for sensitive sectors such as responsible agricultural supply chains and conflict minerals), BNP Paribas Group CSR Policies, and voluntary industry standards.

In each sector, we highlight mandatory responsible business conduct requirements that must be met by issuers in order for us to invest. In addition to the compulsory standards, we have also developed criteria that we encourage companies to comply with. The latter provides a good framework for further analysis and dialogue with companies.

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

RBC STANDARDS

United Nations Global Compact (UNGC) & OECD MNE Guidelines

A universal benchmark for assessing companies

Based on 10 principles covering: Human Rights, Labour, Environment, Anti-corruption

Including the UN Global Compact Watchlist



Sector Policies

Implementation of policies for sensitive sectors

Exclusions: Controversial Weapons, Coal, Tobacco, Unconventional Oil & Gas

Sectors with minimum requirements: Palm oil and Wood Pulp, Nuclear, Mining, Agriculture

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

1

Investment universes are periodically screened with a view to identifying issuers that are potentially in breach of **UN Global Compact Principles and OECD MNE Guidelines** or mandatory requirements applicable to controversial sectors and products.

2

This assessment is conducted by our Sustainability Centre based on **internal analysis and information provided by external experts**, and in consultation with BNP Paribas Group CSR.

3

As a result of this process, we maintain two lists:

- **An exclusion list of issuers** that are associated with serious and repeated breaches of UN Global Compact Principles or mandatory requirements related to controversial sectors and products.
- **A watchlist of issuers** that are at risk of breaching ESG standards and with whom we may engage in dialogue to encourage improvements.



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

GETTING TO NET ZERO

In late 2022, we published our [Net Zero Roadmap](#), our long-term plan to achieve net zero portfolio emissions by 2050 or sooner. The plan not only covers investments, but also how we plan to leverage our stewardship activities to help achieve our goal, and how we will walk the talk by reducing the emissions of our operations.

1. REDUCE THE CARBON FOOTPRINT OF OUR SELECTED INVESTMENTS

2. ALIGN INVESTMENTS WITH NET ZERO

3. EXIT COAL

4. SUBSTANTIALLY INCREASE OUR CLIMATE AND ENVIRONMENTALLY THEMED INVESTMENTS

5. ENGAGE WITH OUR CLIENTS ON THEIR TRANSITION TOWARDS NET ZERO INVESTING

6. VOTE FOR CLIMATE ACTION, VOTE FOR THOUGHTFUL SHAREHOLDER PROPOSALS

7. ENGAGE WITH COMPANIES ON NET ZERO

8. ADVOCATE FOR NET ZERO ALIGNED CLIMATE POLICY

9. REDUCE OUR OPERATIONAL EMISSIONS FOOTPRINT

10. REPORT ON PROGRESS IN TCFD-ALIGNED REPORTS

ZOOM ON COMMITMENTS RELATED TO OUR INVESTMENTS:



REDUCE THE CARBON FOOTPRINT OF OUR IN-SCOPE CORPORATE INVESTMENTS (SCOPES 1 AND 2):

We plan on reducing the carbon footprint of our investment portfolios for in-scope holdings from a 31 December 2019 baseline by 30% by 2025 and by 50% by 2030. At the end of 2019, the aggregated carbon footprint of BNPP AM's funds under the scope of our commitment was 91.72 tCO₂/m€ invested. Our 2022 carbon footprint calculation is impacted by time-lag in carbon data availability and will be disclosed in our annual climate report in 2023.

Scope 3 emissions are not included in the calculation as the measurement of these emissions is not yet standardised or considered reliable enough 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 them in the future.

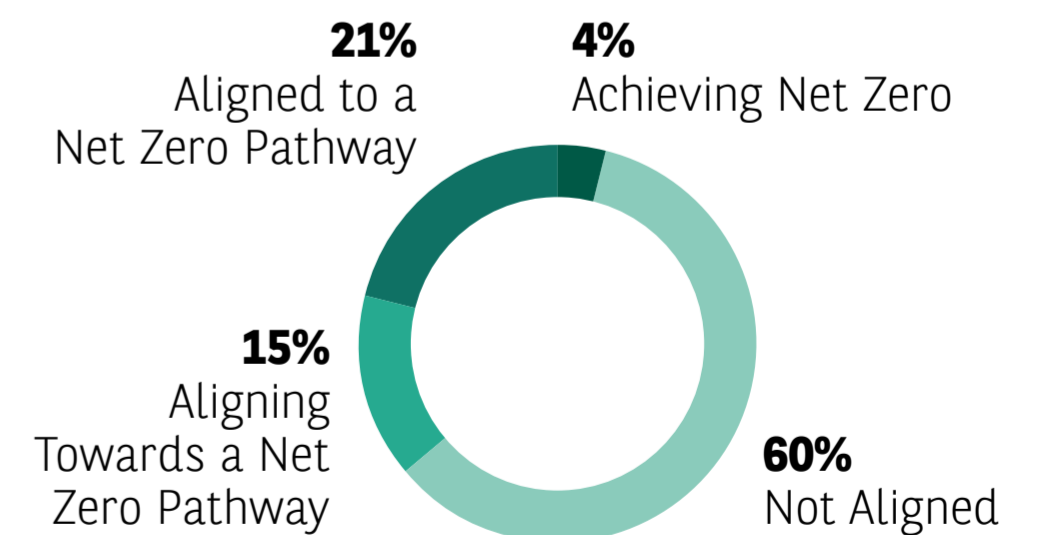
In-scope: our initial commitment covers 50% of our assets under management, and we have the aim of increasing the proportion of AUM included in our net zero commitments and strengthening our targets to ensure we reach net zero by 2050 or earlier.



ALIGN WITH NET ZERO (NZ):

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

CURRENT NZ: AAA BREAKDOWN OF BNPP AM'S AUM in-scope corporate holdings (fixed income and equity)



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

RESPONSIBLE BUSINESS CONDUCT

3.
SUSTAINABILITY
NET ZERO COMMITMENT

EXIT COAL:

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

In 2022, we also introduced new and tighter restrictions related to unconventional oil and gas activities: we will now exclude companies that generate more than 10% of their revenues from unconventional oil and gas or from activities in the Arctic and we will not invest in companies with oil and gas reserves in the Amazon.

4.
SUSTAINABILITY
NET ZERO COMMITMENT

INVEST IN CLIMATE SOLUTIONS - SUBSTANTIALLY INCREASE OUR CLIMATE AND ENVIRONMENTALLY THEMED INVESTMENTS:

Our goal is to substantially increase our climate and environmentally themed investments.

In 2022, we launched new sustainability-focused ETF strategies, including one on the green hydrogen economy. We also launched a Sustainable Asian Cities Bond strategy to help address and capitalise on the infrastructure needs of cities in Asia as they implement mitigation and adaptation projects.

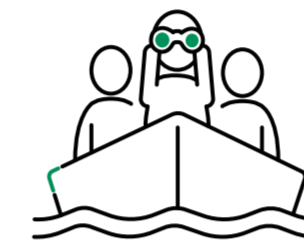
5.
SUSTAINABILITY
NET ZERO COMMITMENT

CLIENT ENGAGEMENT:

Engage with our clients to transition towards net zero investing. This is a key lever of action that builds on the previous commitment related to expanding our offering of climate-focused solutions. A central component to this is providing our clients with a range of education and training tools, notably via our Investment Academy.

In 2022, we provided our clients with a summary paper, a podcast and short videos on our net zero roadmap and the topic in general. We also plan on working with our clients to better understand what they need to help them on this topic.





THE 3Es

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

A FORWARD-LOOKING PERSPECTIVE

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

Moreover, we believe that addressing these issues is critical

to financial market stability. We have established a [set of targets and developed Key Performance Indicators \(KPIs\) relating to these 3Es](#), addressing how we will align our investment research, portfolios, and company and regulatory engagement in support of each. This section details how we are addressing these risks to help to promote well-functioning markets.

MARKET-WIDE RISKS

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

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

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

Our investment teams are permanently engaged in assessing potential market moves and the risks to individual positions or to their entire portfolios. Risk managers within our Fundamental Active Equities and Global Fixed Income investment divisions work closely with investment teams to carry out regular and ad-hoc stress testing analysis using our investment management system.

Combined with and supplementing other risk measures and reports, such as tracking volatility and Value at Risk (VaR)/ Expected Shortfall, stress testing gives us important insights into how portfolios are expected to perform in a range of possible scenarios. The risk managers regularly conduct analysis of prospective and customised scenarios, as well as reviewing historical scenarios for relevant data.

While we know history never repeats itself exactly, such reviews allow us to identify acute sensitivities to factors that manifested themselves in past market regimes and environments and assess their relevance to today's conditions.



ENERGY TRANSITION

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

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

These four factors operate in a feedback loop, so the energy transition will likely intensify and accelerate over the next decade. The transition is an opportunity in the short, medium and long term to boost growth, both from increased investment in the low-carbon economy and by fostering innovation and technological progress.

In the long run, it is the only plausible growth we can aspire to and those that do not adapt will be left behind.

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

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



A LONG-TERM COMMITMENT TO MEASURING AND REDUCING THE CARBON FOOTPRINT OF OUR PORTFOLIOS

CONTEXT

There are a variety of measurement frameworks in place to support an assessment of the carbon profile, and associated climate risk, of companies. In the end, the only thing that really matters is a reduction of absolute emissions to zero by 2050 in order to have any meaningful chance of staying below 1.5°C. Investors need to start on this journey now if they want to avoid the systemic risks driven by a changing climate.

ACTIVITY

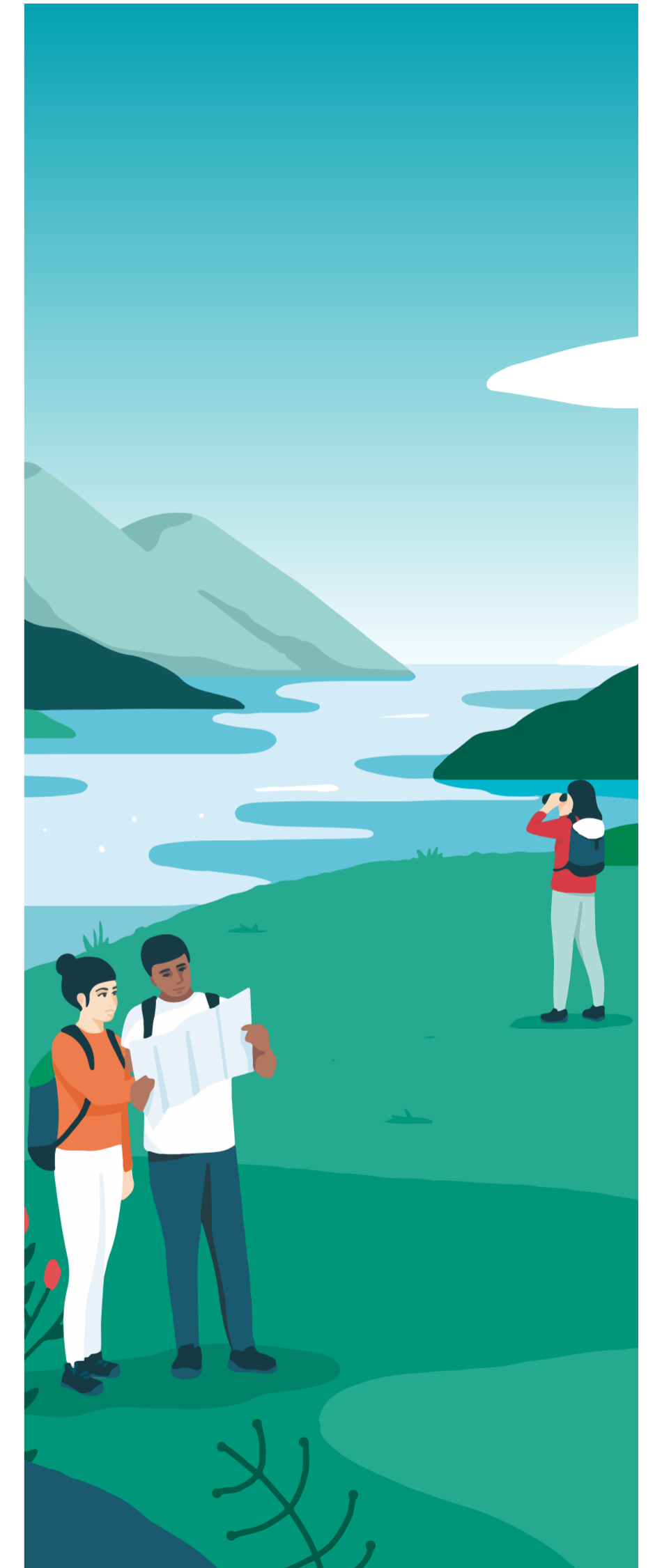
We started [measuring the carbon footprint](#) of our SRI-labelled equity funds and mandates in 2011. In May 2015, we committed to progressively measuring and reporting the carbon footprint of our open-ended funds. Today, we systematically measure the carbon footprint of both equity and fixed income portfolios.

In 2022, we updated our methodology to align it with the European Union's Principal Adverse Impact (EU PAI)

definition for carbon footprint, which underpins our carbon footprint's 'Better-than-Benchmark' (BTB) target, as outlined in our ESG Integration Guidelines. For funds and mandates covered by these Guidelines, our objective is to hold portfolios with lower carbon footprints than their relevant benchmark or universe.

OUTCOMES

We are happy to see that 98% of our in-scope open-ended funds where we could calculate a footprint have a carbon footprint lower than their relevant benchmark or universe as at end of December 2022. That we have had this practice in place for a number of years has put us in a reasonably good place to meet our net zero commitments, where we aim to reduce the carbon footprint of our investment portfolios for in-scope holdings by 30% by 2025 and by 50% by 2030. Used in conjunction with other strategies outlined in our Net Zero Roadmap, we believe our BTB rule is effective in helping to mitigate against the risks posed by climate change.



ENVIRONMENTAL SUSTAINABILITY

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

We need to first stabilise total demand for natural resources, then reduce it in the context of a growing population. And we need to substantially improve natural resource productivity or, where possible, find substitutes.

We also need to drastically reduce the ecological impact per unit of production and move towards net-zero impact. Finally, we must develop a circular economy that allows natural resources to recover and to regenerate themselves.

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

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



BNP PARIBAS ASSET MANAGEMENT MEASURED ITS BIODIVERSITY FOOTPRINT

CONTEXT

Biodiversity footprinting is an assessment tool that helps investors combine investees' modelled and reported data to quantify their potential biodiversity impact, without the need to measure actual biodiversity change on the ground. This would be an impossible task for large, globally diversified asset owners and managers. [The lack of comprehensive data](#) and modelling techniques has meant that investors have faced difficulties in assessing the biodiversity impacts of their portfolios.

ACTIVITY

A year after releasing our biodiversity roadmap, we published the first results of our research to determine the biodiversity footprint of our investments. We collaborated with Iceberg Data Lab and I Care & Consult to develop a tool to identify and quantify the potential negative biodiversity impacts of portfolio companies.

We carried out an analysis based on the Corporate Biodiversity Footprint methodology, which covers more than 1,800 companies included in our equity and bond funds, equating to 70% of our 'corporate' assets under management.

OUTCOMES

This first biodiversity footprint assessment enables us to establish a baseline against which we can monitor our future performance. It also provides a high-level compass to identify where closer analysis of individual issuers is warranted.

We are optimistic about the usefulness of this analysis, though we wish to highlight that many challenges remain ahead. There is still a lack of data that is usable by investors that link specific impacts to individual companies. Our plan is to continue to work with Iceberg Data Lab and I Care & Consult to enhance the methodology. We will update the assessment on a yearly basis or as needed.

'MAKE IT MANDATORY'

BNP Paribas Group recently signed the Business for Nature 'Make it Mandatory' campaign. This campaign, signed by more than 330 businesses and financial institutions with more than USD 1.5 trillion in combined revenues, urged world leaders to use COP15 to set mandatory requirements for all large businesses and financial institutions to assess and disclose their impacts and dependencies on biodiversity by 2030.

For BNPP AM, it is important to know how companies perform when it comes to biodiversity, as this may influence our decision whether or not to invest. This is why we [provided funding to CDP](#) to introduce new questions linked to nature loss and biodiversity in their disclosure questionnaires.

The [data](#) showed that a majority of companies worldwide are not translating commitments on biodiversity into action. This is despite promising findings, which show readiness from corporates to commit to, and disclose, on biodiversity.

EQUALITY AND INCLUSIVE GROWTH

Amid growing wealth and income inequalities, questions are being raised about how capital is distributed within the corporate enterprise and society at large, from the Chief Executive Officer (CEO) to the average employee, the consumer, government and shareholders.

There is a growing focus on the role companies play in seeking to influence the rules of the game through lobbying and other political activities.

In addition, the political consequences of rising inequality and social exclusion are beginning to be felt. The failure to equitably distribute the gains from

globalisation and capitalism is perceived by many economists as a root cause of growing populist movements around the world.

The changing political landscape – and the policies that could emerge alongside – could negatively impact the foundations of democracy.

Consequently, inequality has risen to the top of the policy agenda.

Investors can play an important positive role by incorporating a social equity bottom line into their investment analysis and practices, and by encouraging companies to take account of and manage their labour and employment practices and their impacts.

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

- **Ensure** that senior corporate management teams are appropriately incentivised to prioritise the success and long-term sustainability of their businesses through reform of executive compensation and the mitigation of excessive CEO-to-median employee pay ratios.

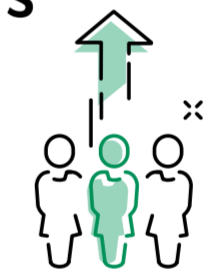
- **Encourage** companies to promote all forms of diversity and provide greater opportunities for women and minorities, at all levels of the organisation.

- **Encourage** companies to adopt more transparent tax strategies.

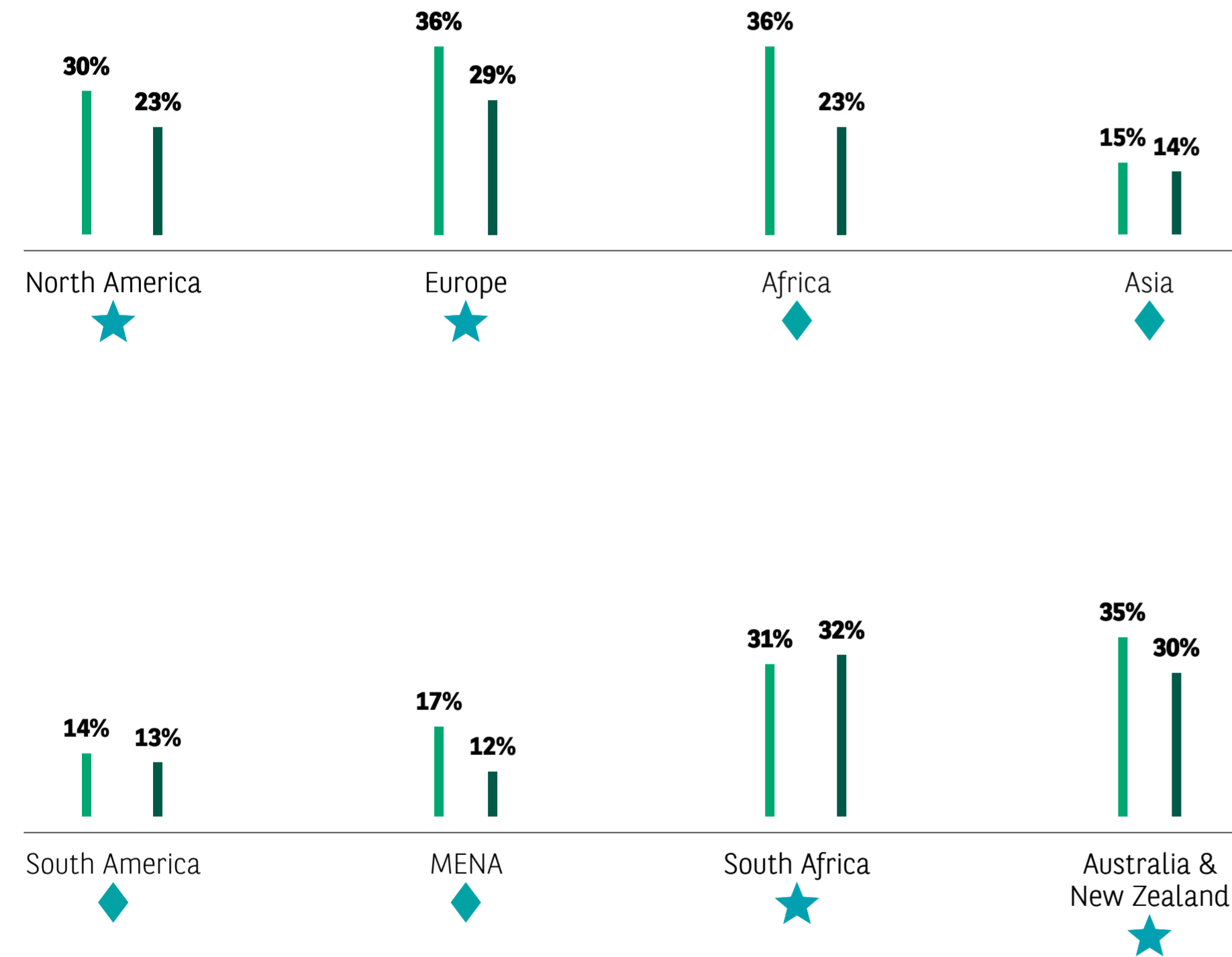
Encouraging these actions will help to rebalance the inequalities of wealth, income and opportunity that threaten the long-term stability of our economies.

OUR GOAL:

40% BY 2025
of all board members
to be women
in all markets



THE 3Es



★ 30% rule ◆ 15% rule
 Percentage of women on boards
 In BNPP AM portfolio
 ISS universe of listed companies



GENDER DIVERSITY ON BOARDS

CONTEXT

Extensive evidence shows that companies with more diverse boards or management teams generate more sustainable value creation over the long term. Recognising this, in 2019 we introduced specific AGM voting criteria on gender diversity, which vary according to region. For Europe, North America, Australia, South Africa and New Zealand, a minimum threshold of 30% female board membership applies, against 15% for Latin America, Asia, Middle East and Africa (ex. South Africa), regions we consider less advanced in terms of diversity issues. We've also incorporated gender diversity into our proprietary ESG rating methodology and into our own hiring practices.

ACTIVITY

To test the effectiveness of our voting policy and dialogue with shareholders on the topic of diversity, we conducted a global study of the number of women

on boards ahead of the 2022 AGM season. The study compared the 3,500 companies in which we invest with the 17,000 listed companies in the Institutional Shareholder Services.

OUTCOMES

The study demonstrates the effectiveness of our approach to voting and engagement, finding that women make up an average of 25% of the boards of the companies in which we invest, compared to 18% for the broader universe of listed companies. Regional differences are considerable, with Europe, South Africa and Australia the most advanced in terms of board director parity, whereas Asia, South America and the Middle East are less diverse.

For the 2022 voting season, we increased the thresholds of our voting policy to ensure we achieve our medium-term goal of 40% of all board members to be women by 2025 in all markets.

PARTICIPATION IN ADDITIONAL REGULATORY AND MARKET-SHAPING INITIATIVES

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

BNPP AM has a long-term commitment to, and successful track record of, public policy engagement to advance its sustainability goals. We advocate both to strengthen ESG considerations within the financial sector and, more broadly, to improve sustainability-related regulation for the markets in which we invest.

We actively engage policymakers, helping to shape the markets in which we invest and the rules that guide and govern company behaviour. Public policy can affect the ability of long-term investors to generate sustainable returns and create value. It can also affect the sustainability and stability of financial markets, as well as social, environmental and economic systems.

We also add our voice to the advocacy of many organisations on the forefront of calling for urgent, far-reaching policy action to address the priorities related to the 3Es:

- Jane Ambachtsheer, our Global Head of Sustainability, is a trustee of CDP and a member of the FSB's Task Force on Climate-related Financial Disclosures (TCFD).
- Members of the Sustainability Centre hold positions on the leadership committees or boards of the ICGN, Global Network Initiative, and the TNFD.
- We are a founding member of the Institutional Investor Group on Climate Change (IIGCC).
- We are a Strategy Partner of the Inevitable Policy Response.
- We are a member of the Investor Agenda and are robustly implementing its framework.



> We believe that being an active participant in these discussions is an effective manner to promote well-functioning markets. In the table below, you will find some of the memberships, investor statements and other initiatives we take part in. Participation in these bodies and initiatives keeps us current on systemic and market-wide risks and how they are evolving. In addition to this, we plan on updating our Global Sustainability Strategy in 2023 and during this process, we will review the system risks identified – the 3Es – to ensure they remain relevant to our clients and our investment strategies.

OUR MEMBERSHIPS AND PLEDGES

INVESTOR STATEMENTS WE HAVE SIGNED IN THE PAST 2 YEARS	SUPPORTER SINCE	ENERGY TRANSITION	ENVIRONMENTAL SUSTAINABILITY	EQUALITY AND INCLUSIVE GROWTH	OTHER
Business Call for a UN Plastics Treaty	2021		X		
Financial Institution Statement ahead of the Convention on Biological Diversity COP15 (Ceres/Finance for Biodiversity Foundation)	2021		X		
Financial sector statement on biodiversity for COP15 (Investor Agenda)	2021, 2022		X		
Global Investor Statement in Support of an Effective, Fair and Equitable Global Response to COVID-19 (Access to Medicine Index)	2021			X	
Global Investor Statement to Governments on the Climate Crisis (Investor Agenda)	2021	X			
Global Roadmap to 2050 for Food and Agriculture: Statement to FAO (FAIRR)	2022	X	X		
Global Standard on Responsible Climate Lobbying	2022	X			
Investor Position Statement on Corporate Net Zero Transition Plans (IIGCC)	2021	X			
Investor Statement (FAIRR)	2021		X		
Investor Statement in Support of the Maintenance and Expansion of the Bangladesh Accord	2021			X	
Statement of Support for Extended Producer Responsibility Schemes for Packaging (Ellen MacArthur Foundation)	2021		X		

MEMBERSHIPS AND INITIATIVES WE PARTICIPATE IN	SUPPORTER SINCE	ENERGY TRANSITION	ENVIRONMENTAL SUSTAINABILITY	EQUALITY AND INCLUSIVE GROWTH	OTHER
Align (European Commission, WCMC Europe, Capitals Coalition, Arcadis, ICF, UNEP-WCMC)	2021		X		
Asia Investor Group on Climate Change (AIGCC)	2018	X			
Association Française de la gestion financière (AFG)	10+ years				X
CDP	2012	X	X		
Ceres	2019	X	X		
Climate Action 100+	2017	X			
Council of Institutional Investors (CII)	2018				X
Eumedion	2018				X
European Fund and Asset Management Association (EFAMA)	10+ years				X
Farm Animal Investment Risk and Return Initiative (FAIRR)	2021	X	X		
Forum pour l'investissement responsable (FIR)	10+ years				X
Global Network Initiative (GNI)	2018			X	
GNI Principles on Freedom of Expression and Privacy (GNI)	2018			X	
Green Bond Principles (International Capital Markets Association)	2017	X	X		
Hong Kong Principles of Responsible Ownership (Hong Kong Securities and Futures Commission)	2019				X
Inevitable Policy Response (IPR)	2021	X			
Institutional Investors Group on Climate Change (IIGCC)	10+ years	X			
International Corporate Governance Network (ICGN)	10+ years				X
Investidores Pelo Clima (Brazil)	2022	X			
Investor Agenda (AIGCC, CDP, Ceres, IICC, IIGCC, UNPRI, UNEP-FI)	2018	X			
Malaysian Code for Institutional Investors (Securities Commission Malaysia)	2019				X
Montréal Carbon Pledge (PRI, UNEP-FI)	2015	X			
Nature Action 100	2022		X		
Net Zero Asset Managers initiative	2021	X			
New Plastics Economy Global Commitment (Ellen MacArthur Foundation, UNEP)	2018		X		
Operating Principles for Impact Management (International Finance Corporation)	2019	X	X	X	
Partnership for Biodiversity Accounting Financials (PBAF)	2021		X		
PRI Advance	2022			X	
Principles for Responsible Investment (PRI)	Founding member				X
SPOTT Palm oil, Timber, Pulp and Paper (Zoological Society of London)	2018		X		
Sustainable Trading	2022				X
Task Force on Climate-related Financial Disclosures (TCFD)	2017	X			
Tobacco-Free Finance Pledge (Tobacco-Free Portfolios)	2018			X	
Transition Pathway Initiative	2018	X			
UK Stewardship Code	2022				X
UN Environment Programme Finance Initiative (UNEP-FI)	10+ years	X	X		



INVESTMENT SOLUTIONS FOR SUSTAINABILITY

Our goal is to integrate sustainability dimensions across our investment strategies, according to the four core pillars of our approach. For investors wishing to go further, we also offer solutions: promoting environmental and/or social characteristics (for example having an ESG score better than investment universe); receiving one or several labels (delivered by independent organisations, such as 'Label ISR' in France); or having a sustainable investment objective (for example sustainable thematic strategies).

INVESTMENT SOLUTIONS FOR SUSTAINABILITY



SFDR: 89% OF THE ASSETS OF OUR EUROPEAN-DOMICILED OPEN-ENDED FUNDS INCORPORATE **ESG CRITERIA ACCORDING TO THE SUSTAINABLE FINANCE DISCLOSURE REGULATION** (CLASSIFIED AS ARTICLE 8 OR 9)

CONTEXT

The Sustainable Finance Disclosure Regulation (SFDR) is a central plank of the European Commission's (EC) 2018 Action Plan for financing sustainable growth. The SFDR provides greater transparency to the degree of sustainability of financial products. The EC's objective is to channel private investment towards sustainable companies and activities while preventing 'greenwashing'. The adoption of the SFDR and other regulations has driven new ways of working within the asset management industry.

Our long history of sustainability, including the launch of our Global Sustainability Strategy (GSS) in 2019, has put us in a favorable position for this

transition. Nonetheless, we established in 2022 a dedicated project team to steer and deliver the transition of our product range into the SFDR level 2 regulatory categories.

ACTIVITY

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

- Development of new policies and methodologies to analyse individual securities under the criteria introduced by the new regulatory framework.
- Training and raising awareness about the new regulatory framework, and the actions taken

and methodologies developed by BNPP AM to conform to it.

- Upgrade of IT systems to industrialise the treatment of extra-financial information in the context of the new regulatory framework.
- Due diligence on data providers to increase the breadth of extra-financial data.

OUTCOMES

Our efforts have resulted in 89% of the assets of our European-domiciled open-ended funds being classified as Article 8 or Article 9 according to the SFDR.

Moreover:

- Our [SFDR Disclosure Statement](#) details how we integrate principal adverse impacts into our investments.

- We are using this existing structure to simultaneously work on the integration into the product range of the new portfolio-level criteria introduced by the MiFID regulation in 2022.
- We updated our funds' documentation with new sustainability indicators in accordance with SFDR level 2, to bring even more transparency to investors.

TARGET

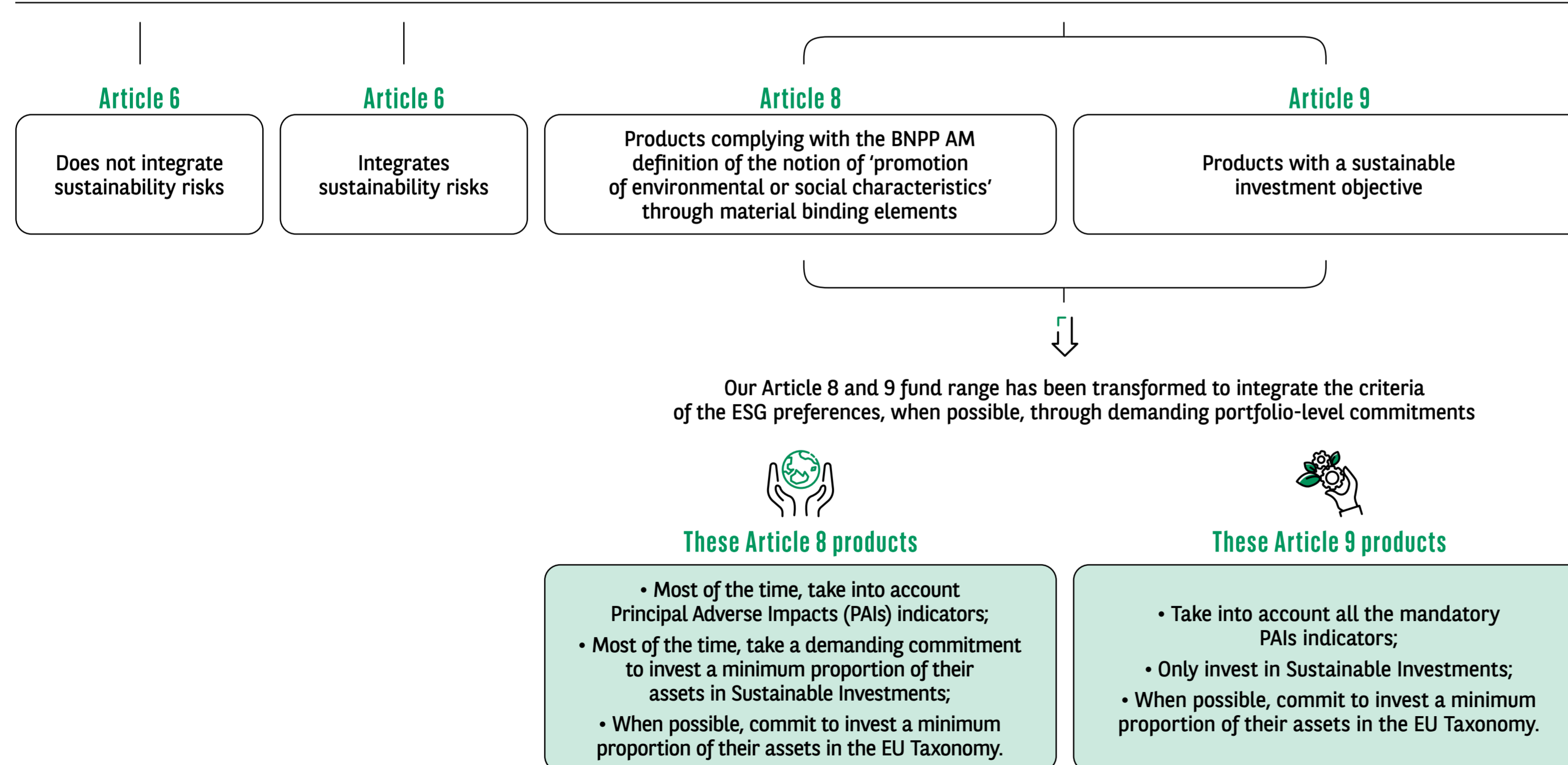
90% of the assets of our European-domiciled open-ended funds to incorporate ESG criteria according to the Sustainable Finance Disclosure Regulation (classified as article 8 or 9) by 2025.

SFDR CLASSIFICATION DECISION TREE



Product

Any product distributed in the EU (fund, mandate, etc.)



SFDR Transformation

89%

of our open European range is Article 8 or 9

ESG Preferences Integration

More than **€200bn**

of our product range take into account the PAIs

More than **€200bn**

of our product range is demanding committed on Sustainable Investments

More than **€18bn**

of our product range commits to invest in the EU Taxonomy

Source: Morningstar EET Data, as of 2 January 2023.



20 YEARS OF SRI FUNDS
AT BNPP AM

Sustainable investing is rooted in BNPP AM's values and history. In 2002 we created a dedicated ESG research team and launched our first socially responsible fund, and today we are continuing to strengthen our range of SRI-labelled funds.

- **1971:** The first SRI fund, Pax World Fund, was launched by two American pastors from the Methodist Church. Its creation was inspired by poor corporate conduct linked to conflict and ecological disasters.
- **2002:** BNPP AM launched its first SRI fund, taking a leading role in local initiatives in responsible investment and sustainable development, in France, Europe and globally.
- **2006:** BNPP AM became a founding signatory of the Principles for Responsible Investment ('PRI'), an international network of investors supported by the United Nations.
- **2019:** BNPP AM launched its Global Sustainability Strategy, underpinning the pillars of its sustainability strategy across all of the company's activities.

As at 31 December 2022, BNPP AM has 161 funds with European SRI labels, representing assets under management of EUR 121.9 billion.

A NEW SUSTAINABLE THEMATIC ASIAN
FIXED INCOME FUND

This sustainable thematic fixed income fund offers investors exposure to a differentiated strategy that is both regional and thematic, aiming to capture the multi-decade growth opportunities offered by sustainable urbanisation in Asia. This is the first Asia-focused fixed income strategy in the market classified as SFDR Article 9.

With a focus on Asia ex-Japan bonds, the fund capitalises on a geographic region that is experiencing strong growth in the issuance of sustainable-labelled bonds. The fund contributes to the promotion of sustainable Asian cities to meet the challenges of increased urbanisation, impacts of physical climate change and inclusive growth.

The launch of this fund is part of the expansion of BNPP AM's range of sustainable thematic solutions. The actively-managed, thematic approach showcases BNPP AM's strong credentials in sustainability and capabilities within emerging market fixed income to deliver long term sustainable returns to investors.

A NEW **BIODIVERSITY**
PARIS-ALIGNED-BENCHMARK ETF

This new ETF offers investors exposure to companies with a lower potential impact on biodiversity than their peers. This thematic fund is Paris-Aligned Benchmark (PAB) aligned and classified as SFDR Article 8. Responding to investors' growing interest in United Nations SDG 15* that aims to 'Protect, restore and promote the sustainable use of terrestrial ecosystems', this new fund enhances BNPP AM's range of thematic ETFs, which already covers low carbon, circular economy, blue economy (according to the World Bank, the blue economy seeks to use ocean resources sustainably to generate economic growth, improve livelihoods and create jobs, while preserving the health of marine ecosystems), innovative medical technologies, green hydrogen and green, social and sustainable bonds.

It also complements BNPP AM's active management offering, including a fund investing in companies globally committed to restoring and preserving natural capital.

* Sustainable Development Goal 15: Preserve and restore terrestrial ecosystems, ensuring that they are used sustainably, sustainably manage forests, combat desertification, halt and reverse the process of land degradation and end biodiversity loss.

SOLIDARITY INVESTMENTS:
TWO NEW PARTNERS TO DEVELOP
THE CIRCULAR ECONOMY

Through its solidarity funds, which invest in associations and companies with a strong social impact and help them develop, BNPP AM has participated in the fundraising of Moulinot Compost & Biogaz, a specialist in the collection and recycling of food waste in France, and Phenix, a French anti-waste and solidarity start-up.

BNPP AM manages 13 solidarity funds with assets under management of EUR 2,7 billion, of which EUR 166 million is invested in 35 organisations covering areas such as access to employment and housing, equal opportunities, access to health and maintaining independence.

€2,7BN
solidarity funds
AUM

13
solidarity
funds

€166M
in social business
investments

35
solidarity
partners



OUR CORPORATE SOCIAL RESPONSIBILITY APPROACH

Walking the talk is critical to achieving excellence. As a sustainable asset manager, our corporate practices and disclosures should match or exceed the standards we expect from the entities in which we invest. To achieve this, we have a four-pronged approach to integrating sustainability into our operations and as an employer: decreasing our operational CO₂ emissions, reducing our waste to landfill, achieving a more gender-balanced and diverse workforce, and focusing our community initiatives on youth inclusion.

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 have continued some of our new habits into 2022, helping to keep our emissions in line.

The BNP Paribas Group has established a new target for greenhouse gas emissions of 1.85 tCO₂e per employee by 2025. We will 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. In 2022, we relocated our head office to a building that is rated B for greenhouse gas emissions, versus our prior building that was rated C.
- **Buy green or low-carbon electricity:** the majority of our employees work from offices that are powered by green or low-carbon electricity.
- **Offset any residual emissions:** we have been offsetting any remaining emissions associated with our office space and business travel since 2017.



Our goal for 2023 is to focus on reducing the energy consumption of our head office in France, where approximately 30% of our employees are located, to help meet the French government's initiative to reduce energy consumption in light of the war in Ukraine.

New target for
greenhouse gas emissions:

1.85 tCO₂e
per employee by 2025



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.

To help bring our employees on board, we hosted a number of zero-waste workshops in conjunction with the Surfrider Foundation, where employees learned how to make their own soap and cleaning products.

At the same time, some of our employees and their family members participated in a cleanup of the Ciliwung River in Jakarta, Indonesia. In total, the team collected 350 kilogrammes of plastic and other waste.

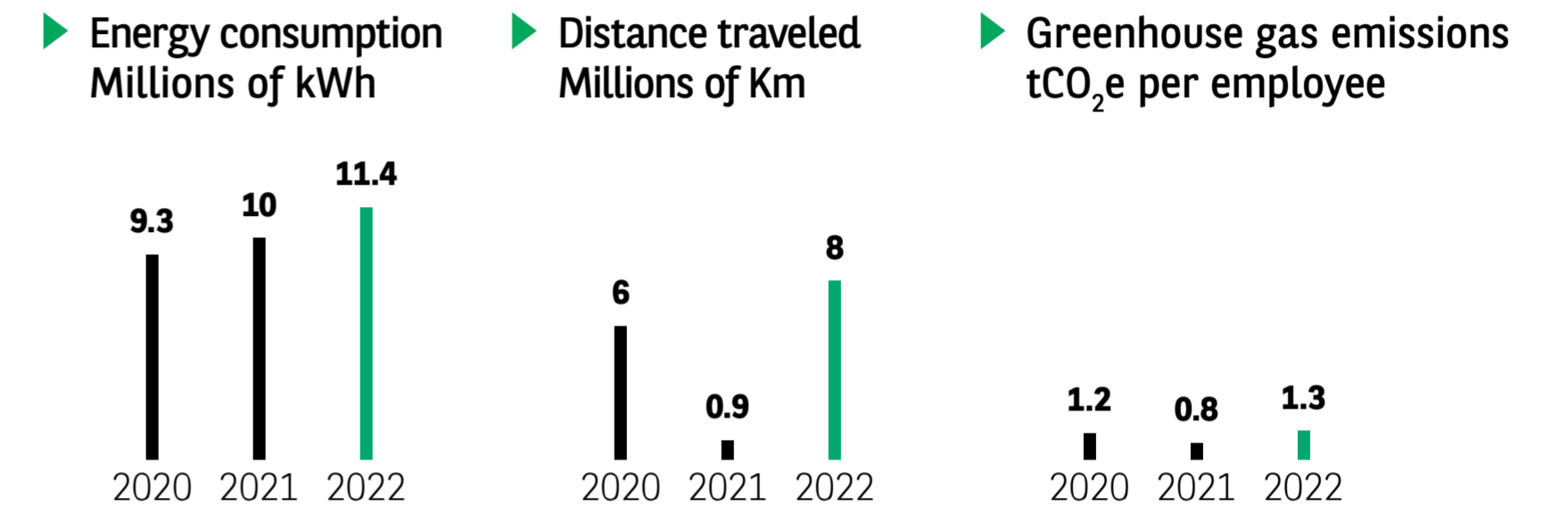
OUR CORPORATE SOCIAL RESPONSIBILITY APPROACH

GREENIT@AM

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

We currently have a number of initiatives in place to reduce the environmental impact of our IT operation, 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 2022, 3StepIT repurposed 506 pieces of equipment on our behalf and recycled another 9 pieces at certified facilities.



➤ **Our goal for 2023** is to roll out a more holistic and structured approach to deploying our sustainable IT initiatives. This will not only include physical equipment and cloud operations, but also how we develop applications.



A CULTURE OF DIVERSITY, EQUITY AND INCLUSION

We believe that Diversity, Equity and Inclusion is a powerful lever to unlock potential and is a differentiating factor to be an outstanding asset manager. We strive for a work ethic based on the principles of opportunity and translate this belief into concrete policies and initiatives because we strongly believe that it is central to our success and to driving change both internally and externally.

WOMEN IN THE ASSET MANAGEMENT INDUSTRY

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

In an industry which remains male-dominated, we compare well to our competitors. Yet we can still do more which is why we continue to challenge ourselves with ambitious targets and initiatives:

- All members of our Executive Committee have a **Diversity, Equity and Inclusion ambition** formalised in their yearly objectives.
- We monitor the number of women we hire, and in 2022, we recruited 279 employees, of whom **38% were women**.
- We made significant efforts to increase the number of women in our Investments division and in 2022, of the 54 people we hired into our Investments division, **35% were women**.

- We pay particular attention to **gender pay gaps** and conduct detailed studies on this topic every year.

- 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 female talents
- ▶ **‘Women Leaders’** for senior leaders
- ▶ **‘AMazing leaders’** for senior managers and experts.

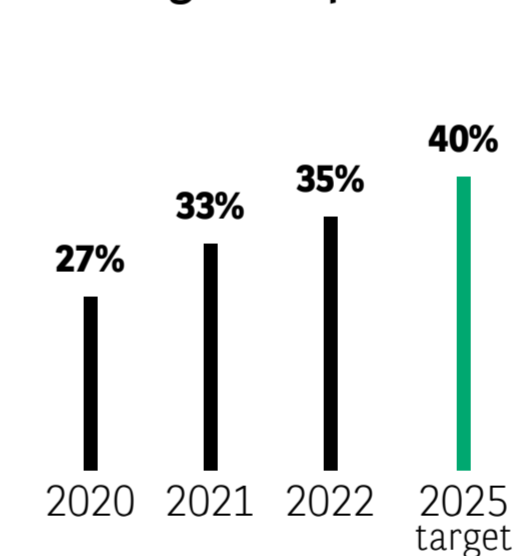
These programmes are complemented by external seminar opportunities and online content via our award-winning in-house learning platform.

- We instigated mandatory training for all staff on unconscious bias in 2021 and pushed it further in 2022. We have other strongly recommended trainings for managers on a regional basis:

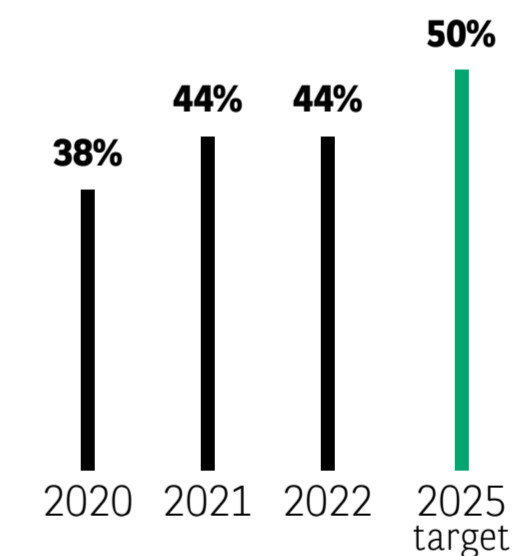
- ▶ **‘Recruiting without discrimination’** training is mandatory for managers in France.
- ▶ **‘Inclusive leadership’** training in the UK in 2021, and customised in 2022 for a roll-out in APAC.

- We put in place various initiatives to support women when they return from parental leave.

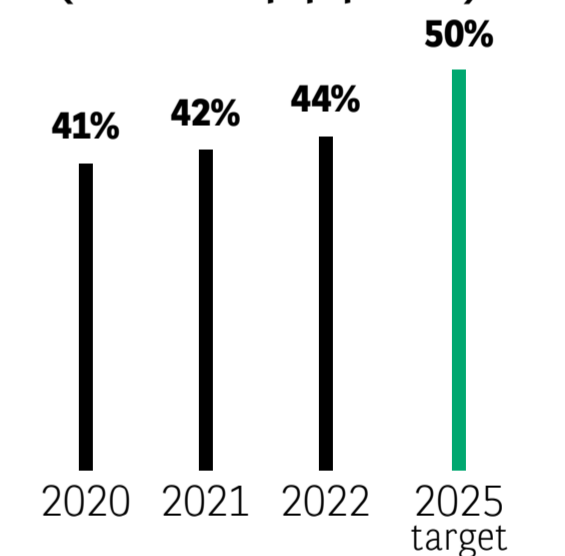
▶ Women in senior management positions



▶ Women on internal boards



▶ Women in talent programme (leadership pipeline)



OUR CORPORATE SOCIAL RESPONSIBILITY APPROACH

35%
of new hires into our Investments division in 2022 were women



DIVERSITY IS THE MIX, INCLUSION IS MAKING THE MIX WORK

Our people have always come from different backgrounds and cultures: **we are based in 34 countries, representing 75 nationalities** as of 31 December 2022. Their countless perspectives and experiences make us stronger and fuel our shared commitment to a better future.

We have launched a number of **initiatives** not only to foster Diversity, Equity and Inclusion in our workplace, but to enhance the opportunities for young people entering the asset management industry.



HELPING YOUNG PEOPLE GET THEIR START IN THE UK

In 2022, for the second year, we partnered with **Headstart Action**, offering work placements to five young people to enhance their employability.

We also participated in **#10000BlackInterns**, a UK-based initiative to address the chronic under-representation of black talent in the industry.

We participated in the **CFA UK Women in Investments programme** and offered four internships to young women in London. We have also become an active member of **the Diversity Project**, a widely recognised industry initiative which will further enable us to drive change.

We have set up a number of BNP Paribas Group's employee networks within BNPP AM, such as:

- CulturALL, new in 2022, aims to create an equitable and inclusive environment where all ethnoculturally diverse employees can excel by fighting discrimination, ensuring greater representation throughout the organisation, and strengthening communications around diversity of origins.
- Ability, a community dedicated to employees who are affected by disabilities, disabling or chronic illnesses.
- Afrinity, to promote ethnocultural diversity at all levels of the company.

- PRIDE, a professional network made up of employees who are directly or indirectly concerned, or simply allied, with LGBTQIA+*.
- Mixcity, a network for women and men who wish to advance professional equality.
- LatAmigos, a network to promote ethnocultural diversity, open to all employees interested in Latin American countries.

In addition to this, we continued to **educate and enhance awareness on issues of Diversity, Equity and Inclusion** through conferences on a variety of topics, including gender, multiculturalism, LGBTQIA+, women and men's health, neurodiversity and disability.

* Lesbian, Gay, Bisexual, Transgender, Queer or questioning, Intersex, Asexual, and more.



HELPING YOUNG PEOPLE OVERCOME SYSTEMIC BARRIERS TO SUCCESS

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

While our volunteer efforts are wide-ranging, we focus many of them on helping young people. Volunteering also helps each of us develop both professional and personal skills while better connecting us with our colleagues and society.

It is a very tangible and meaningful way to have a positive impact on the world around us. That's why we encourage our employees to volunteer at least one day a year during working hours at a community organisation of their choice.



66

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.”

David Vaillant

Global Head of Finance, Strategy and Participations



MENTORS SUPPORT **YOUNG PEOPLE IN ACHIEVEMENT**

FRANCE

We embarked on an ambitious journey to harness our employees' knowledge and turn them into mentors for young people.

- It was the first full year of our partnership with Chemins d'avenirs, an organisation that facilitates young people's insertion in rural France. We currently have 8 employees acting as mentors.
- We hosted a mentoring fair to encourage our employees to become mentors either through Chemins d'avenirs or through other partnerships the Group has set up.
- We set ourselves a target of having 15 mentors by the end of 2023.



FINANCIAL INDUSTRY **COLLECTIVE OUTREACH** (FINCO)

MALAYSIA

We participate in the FINCO mentoring programme for underprivileged, upper secondary school students in Malaysia. It involves a series of workshops to provide career guidance to help young individuals achieve their aspirations. Given that physical events were restricted due to the pandemic, the workshop was coordinated via a group chat within a mobile app.

OUR CORPORATE SOCIAL RESPONSIBILITY APPROACH



BEING **A ROLE MODEL** THROUGH JINC

THE NETHERLANDS

BNP Paribas Group's partnership with JINC allows our employees in the Netherlands to lead mini-workshops with young people from challenging backgrounds and neighbourhoods. These workshops give them a positive example of what you can achieve through education and expose them to people and environments they wouldn't normally encounter in their daily lives. The workshops are designed to be fun for both the children and our employees.



LITTLE ARTS **ACADEMY**

SINGAPORE

We have established a partnership with the Little Arts Academy, which helps young people from low-income families develop a range of skills through the arts.

In 2022, we participated in an initiative that brought 1,000 of these children to Universal Studios Singapore. They enjoyed a day that they wouldn't normally have an opportunity to participate in.



FUTURE GENERATION PROGRAMME

HONG KONG

We partnered with Lingnan University to create an 8-month programme to give students insights into working for a global financial institution. The students were provided with workshops, mentoring and a 4-month internship in various departments such as marketing, trading, sales and compliance.

The goal of the programme was to enhance the employability and competitiveness of these students by providing them with job experience. We also ensured that they were equipped with the requisite skills and knowledge for career development, especially important in the post-COVID era.



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	EFAMA	ICGN	HONG KONG	MALAYSIA	JAPAN	PAGE NUMBERS IN THIS REPORT
PURPOSE, STRATEGY AND CULTURE	1	1	1,6	-	5	1,2	6-9, 20, 90-96
GOVERNANCE, RESOURCES AND INCENTIVES	2	1	1,2,7	1	-	1,5,7	22-25
CONFLICTS OF INTEREST	3	1,5	1,5	7	4	2	26-27
PROMOTING WELL-FUNCTIONING MARKETS	4	-	4,6	-	5	-	41, 56-59, 68-72, 77-85
REVIEW AND ASSURANCE	5	-	1,2,7	-	-	3,7	27
CLIENT AND BENEFICIARY NEEDS	6	6	3,6,7	6	-	5,6	4, 5, 28-29
STEWARDSHIP, INVESTMENT AND ESG INTEGRATION	7	1	3,6	-	5	3	20, 31-89
MONITORING MANAGERS AND SERVICE PROVIDERS	8	6	1,2,5	-	-	1,5	35-36
ENGAGEMENT	9	1,2	4	1,2	3,2	4	40-72
COLLABORATION	10	4	4	1,5	-	4	55-63, 65, 68-71, 84-85
ESCALATION	11	3	4	1,3	-	4	42, 44, 45, 47, 50, 52, 57, 64, 66
EXERCISING RIGHTS AND RESPONSIBILITIES	12	1,5,6	5,7	1,4	1,6	5,6	41-50, 52-55, 64, 66-68, 82

GLOSSARY

AIF: Accredited Investment Fiduciary
AIGCC: Asia Investor Group on Climate Change
ARE: Asia Research and Engagement
ATNI: Access to Nutrition Initiative
AUM: Assets under Management
BBFAW: Business Benchmark on Farm Animal Welfare
CISL: Cambridge's Institute for Sustainable Leadership
CSR: Corporate Social Responsibility
CSRD: Corporate Sustainability Reporting Directive
CTB: Climate Transition Benchmark
EET: European ESG Template
EFRAG: European Financial Reporting Advisory Group
ESG: Environment, Social, Governance
ESRS: European Sustainability Reporting Standards
ETF: Exchange Traded Fund
EU: European Union
EUAs: European Union Allowances
EU-ETS: European Union Emission Trading System
FAIRR: Farm Animal Investment Risk and Return Initiative
FAME: Financial & Asset Management Expertise
FAO: Food and Agriculture Organisation
GCG: Global Client Group
GHG: Greenhouse gases
GNI: Global Network Initiative
GRASFI: Global Research Alliance for Sustainable Finance and Investment
GRI: Global Reporting Initiative

GSS: Global Sustainability Strategy
SRI: Socially Responsible Investment
3Es: Energy transition, Environmental sustainability, Equality and inclusive growth
IAHR: Investor Alliance for Human Rights
IBRD: International Bank for Reconstruction and Development
ICCR: Interfaith Center on Corporate Responsibility
IDD: Insurance Distribution Directive
IEA: International Energy Agency
IFRS: International Financial Reporting Standards
IIGCC: Institutional Investor Group on Climate Change
IHC: Investor Initiative on Hazardous Chemicals
IPCC: Intergovernmental Panel on Climate Change
IPR: Inevitable Policy Response
ISSB: International Sustainability Standards Board
JETP: Just Energy Transition Partnership
KPI: Key Performance Indicator
LGBTQIA+: Lesbian, Gay, Bisexual, Transgender, Queer or questioning, Intersex, Asexual, and more
MAS: Monetary Authority of Singapore
MIF: Markets in Financial Instruments
MiFID: Markets in Financial Instruments Directive
NDCs: Nationally Determined Contributions
NEST: Network of Experts in Sustainability Transition
NGO: Non Governmental Organisation
NZAM: Net Zero Asset Managers
NZCB: Net Zero Company Benchmark
NZDPU: Net-Zero Data Public Utility

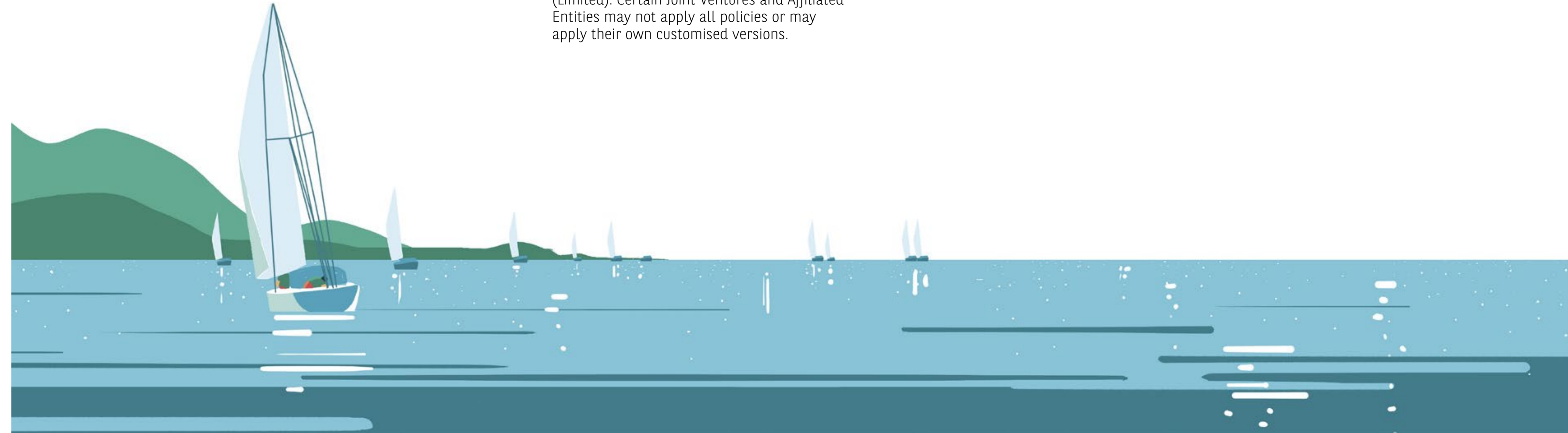
PAB: Paris Aligned Benchmark
PAI: Principle Adverse Impact
PASI: Principal Adverse Sustainability Impacts
PRI: Principles for Responsible Investment
QRG: Quantitative Research Group
RBC: Responsible Business Conduct
SBTi: Science-Based Targets Initiative
SDGs: Sustainable Development Goals
SFDR: Sustainable Finance Disclosure Regulation
SRP: Sustainable Regulation Programme
TCFD: Task Force on Climate-related Financial Disclosures
TFND: Task Force on Nature-related Financial Disclosures
TPI: Transition Pathway Initiative
TSC: Technical Screening Criteria
UCITS: Undertakings for Collective Investments in Transferable Securities
UNCBD: United Nations Convention on Biological Diversity
UNEP: United Nations Environment Programme
UNEA: United Nations Environment Assembly
UNFCCC: United Nations Framework Convention on Climate Change
UNGC: United Nations Global Compact
UN PRI: United Nations Principles for Responsible Investment
URD: Universal Registration Document
VaR: Value at Risk
WWF: World Wildlife Fund



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 France (BNPP AM), which includes the CEO of BNPP AM, is responsible for approving it. BNPP AM is the source for all data presented in this document, presented as at 31/12/2022, unless otherwise specifically indicated. All strategies, policies and approaches described in this report apply to BNPP AM 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.



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

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www.bnpparibas-am.fr/investisseur-professionnel/synthese-des-droits-des-investisseurs a summary of investor rights in French. BNP PARIBAS ASSET MANAGEMENT FRANCE may decide to discontinue the marketing of the financial instruments, in the cases covered by the applicable regulations.

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