CORPORATE SOCIAL RESPONSIBILITY

SECTOR POLICY – AGRICULTURE

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TABLE OF CONTENTS

PREAMBLE **3**

1. OBJECTIVE **4**

2. SCOPE **4**
2.1 GEOGRAPHY 4
2.2 DEFINITIONS 4
2.3 ACTIVITIES 4
2.4 BUSINESSES 5
2.5 BNP PARIBAS ACTIVITIES 5

3. RULES AND STANDARDS **5**
3.1 AGRICULTURE PROJECTS 6
3.1.1 Mandatory requirements 6
3.1.1.1 Requirements for all agriculture projects 6
3.1.2 Evaluation criteria 7
3.1.2.1 Criteria for all agriculture projects 7
3.2 AGRICULTURE COMPANIES 9
3.2.1 Mandatory requirements 9
3.2.1.1 All agriculture companies 9
3.2.1.2 Physical agricultural products merchants and traders 11
3.2.2 Evaluation criteria 11
3.2.2.1 Criteria for all agriculture companies 11
3.2.2.2 Criteria for seeds/grains producing companies 12
3.2.2.3 Criteria for physical agricultural products merchants and traders 13
3.3 COMPANIES INVOLVED IN ACTIVITIES RELATED TO SOY AND BEEF IN THE BRAZILIAN AMAZON AND CERRADO 13
3.4 GOOD INDUSTRY PRACTICES 14
3.5 SPECIFIC POSITION ON AGRICULTURE COMMODITIES 14
3.5.1 Corporate clients 14
3.5.2 Individual and institutional investors 14

4. GROUP-LEVEL IMPLEMENTATION MECHANISMS **15**
4.1 FINANCIAL PRODUCTS AND SERVICES 15
4.2 ASSET MANAGEMENT 15

5. POLICY DISCLOSURE AND FOLLOW-UP **15**

6. DISCLAIMERS **16**

7. GLOSSARY **16**

8. SECTORIAL STANDARDS AND CERTIFICATIONS **21**

PREAMBLE

As part of its commitment to corporate social responsibility, BNP Paribas has developed a policy regarding its investment and financing activities for the agriculture sector.

Agriculture is a major source of income and provides a livelihood to millions of people in both developed and developing countries. According to the FAO, the majority of the 600 million farms that exist in the world are small, those of less than 1 hectare representing 70% of all farms but covering only 7% of the total area of agricultural land. Investing in agriculture is one of the most effective strategies for reducing hunger.

However, the impact of agriculture on land use is significant, with IPBES estimating that 33% of the world's land surface is devoted to cultivation or livestock and that only 29% of farms are implementing sustainable agricultural production practices worldwide, accounting for 9% of all agricultural land. Moreover, in its latest study, the organization observes that 23% of land has experienced a reduction in productivity due to soil degradation since 1970 and that more than 75% of the world's food crop types depend on pollination by animals. This is an example of the importance of protecting biodiversity in ecosystem services, including forests.

Production standards are continuously improving and it is therefore possible to respond to these environmental and social challenges by adopting a strategy based mainly on best available agricultural practices.

BNP Paribas is committed to support the real economy and therefore provides extensive financial products and services to the agriculture sector especially to companies, large or small, showing a high level of responsibility and committed to feed the people with products respectful of the environment and biodiversity.

The following sector policy reflects BNP Paribas' commitment to support the development of sustainable practices taking into consideration the key issues mentioned above.

This policy comes in addition to existing agriculture related documents published by BNP Paribas as part of its commitment to corporate social responsibility: two policies concerning **Palm oil** & **Wood Pulp**, and a public disclosure concerning "**Goods and activities on exclusion list**".

BNP Paribas is convinced that responsible companies and sustainability practices should be supported. Such support can bring long-term benefits to its customers and to the society at large.

1. OBJECTIVE

This policy defines a set of rules regarding the management of financial products and services provided by BNP Paribas' entities. The objective of this policy is to address some major environmental, social and governance issues of the agriculture sectors and to establish guidelines to conduct business in a responsible manner.

2. SCOPE

2.1 GEOGRAPHY

Worldwide.

2.2 DEFINITIONS

Agriculture is the science or practice of farming, including cultivation of the soil for the growing of crops and the rearing of animals to provide food and non-food products.

Agricultural products refer to products issued from the cultivation of the soil (culture), the forest management (forestry) and from farm animals rearing.

Agricultural products can be food related (grains, vegetables, fruits, honey, meat, eggs, milk…) or non-food related (cotton, rubber, wool, timber…).

Agricultural commodities refer to agricultural, horticultural, viticultural, and dairy products; livestock and the products of livestock; the products of poultry and bee raising; the products of forestry; and other commodities that are exchanged on a derivatives market.

2.3 ACTIVITIES

Agriculture activities covered in this policy are production of seeds/grains, farming, origination & collection operations and/or primary processing of agricultural products as defined below:

- *Production of seeds/grains* covers the selection and multiplication of seeds/grains for the purpose of distribution, storage or sale;
- *Farming* covers the cultivation of soil, production of crops and raising of livestock and poultry (breeding, feeding, and general care) and forest management (forestry);
- *Origination & Collection operations* cover the sourcing, the transport and storage logistics of agricultural products from where they are produced to a point where they are stored or undergo primary transformation. This includes activities of physical agricultural products merchants and traders;
- *Primary processing* is the first transformation of raw agricultural products (e.g. oil crushing, cocoa grinding, sugar extraction, milk drying and slaughtering).

Agriculture activities not covered in this policy:

- Manufacturers or distributors of agricultural machinery, pesticides and fertilizers;
- Manufacturers of processed food and beverage (secondary or further processed products, packaged food)

- Retailers of food and beverage;
- Fish, seafood and aquatic products;
- Palm oil and wood pulp related activities (please refer to their dedicated sector policies).

2.4 BUSINESSES

This policy covers:

- Agriculture projects (defined hereunder as "Projects"): new and/or significant expansion of existing agriculture related activities (production of seeds, farming, origination & collection operations and/or primary processing)
- Agriculture companies (defined hereunder as "Companies"): companies for which agriculture-related activities (production of seeds, farming, origination & collection operations and/or primary processing) represent a significant part of their overall activities
- Activities of financial intermediaries (including traders) that do not take possession of a physical commodity are covered in section 3.5.1.

2.5 BNP PARIBAS ACTIVITIES

Entities of BNP Paribas Group: this policy applies to all branches, subsidiaries and joint ventures in which BNP Paribas has the operational control. If BNP Paribas establishes new joint ventures in which it has a minority stake, it will strive to include these standards as part of the joint venture agreement.

Financial products & services: this policy applies to all advisory and financing activities provided by BNP Paribas (lending, debt and equity capital markets, guarantees and advisory work, etc.). It covers all new clients and transactions. Agreements with agriculture companies that predate this policy will be reviewed accordingly upon their renewal or as they are due for review. However, this policy does not apply to activities of professional equipment leasing or securities custody.

3. RULES AND STANDARDS

BNP Paribas expects agriculture companies to comply with local laws and with licensing agreements as well as with international conventions ratified by the countries in which they are registered and/or operate.

As part of its internal compliance process, BNP Paribas implements strengthened control measures on clients and transactions to identify, *inter alia*, governance risks (including corruption).

In addition to the compliance with these regulations and standards, this policy sets specific criteria to be met by agriculture projects and companies.

The policy applies to agriculture projects and companies as defined in section 2. Depending on their size, agriculture projects / companies will be assessed with a different number of criteria. Larger projects / companies will be assessed on all the criteria listed in the policy while small projects / companies will be exempted from some specific criteria, marked with an asterisk in the text.

Criteria are split into mandatory requirements and evaluation criteria.

Mandatory requirements are to be understood as *sine qua non*: those have to be met without exception before BNP Paribas considers providing financial products and services to agriculture projects or companies.

In addition to these mandatory requirements, **evaluation criteria** have been identified to initiate a dialogue with its clients and assess their level of commitment to implement sustainable practices.

BNP Paribas also reserves its right to request additional information or decline its involvement even if the

mandatory requirements are met.

BNP Paribas has adopted the Equator Principles (EPs), a financial industry benchmark for determining, assessing and managing environmental and social risks in projects. In addition to mandatory requirements and evaluation criteria set by this Policy, BNP Paribas will thus also apply the EPs to lending and advisory mandates related to agriculture projects, in line with the EPs application scope detailed in the official text.

3.1 AGRICULTURE PROJECTS

3.1.1 Mandatory requirements

3.1.1.1 Requirements for all agriculture projects

BNP Paribas will only provide financial products or services to Agriculture projects which:

- have a water management plan*[1].

Biodiversity

Are not located on:

- UNESCO World Heritage Sites;
- Wetlands on the Ramsar list;
- Alliance for Zero Extinction sites;
- IUCN Category I-IV areas;
- Peat lands.

Do not involve the trade of any plant or animal species or products governed by the Convention on International Trade in Endangered Species of Wild Fauna or Flora (CITES) not authorized by a CITES permit.

Working Conditions & Human rights

- Do not use child or forced labor[2];
- Have a grievance mechanism in place through which workers concerns can be raised and addressed;
- Respect the right of workers to organize in a trade union or ensure workers' interest and voice are heard within the company[3] ;
- Do not discriminate against employees and applicant for employment[4].
- Have a Human Resources policy or a Code of Conduct.

Health & Safety*

- Have a health and safety management plan.

[1] (*) for large projects only
[2] International Labor Organization (ILO) Conventions C138 Minimum Age (1973), C182 Worst Forms of Child Labor (1999), and C29 Forced Labor (1930)
[3] ILO Convention C087 Freedom of Association and Protection of the Right to Organize (1948) and C098 Right to Organize and Collective Bargaining (1949)
[4] ILO Convention C100 Equal Remuneration (1951) and C111 Discrimination (Employment and Occupation) (1958)

Land tenure and local communities rights*

- Have a policy in place to obtain the Free, Prior and Informed Consent (FPIC) of the local communities and have a grievance mechanism in place through which local communities' concerns can be raised and addressed;
- Do not engage in Land grabbing practices.

Food Safety and traceability

- Have a policy on food safety and traceability covering their suppliers and their own operations.

Additional requirements for Farming projects

In addition to the requirements applying to all agriculture projects, BNP Paribas will only provide financial products or services to farming projects that:

Biodiversity

- Conduct a High Conservation Value HCV assessment or equivalent before developing a project, especially on Key Biodiversity Areas;
- For projects located in High Conservation Value Forest (HCVF): do not adversely impact HCVF areas, in a manner that would result in the irremediable loss of one or more of the six High Conservation Values;
- For projects located in High Conservation Value (HCV) areas: do not adversely impact HCV areas, in a manner that would result in the irremediable loss of one or more of the six High Conservation Values*.

Agrochemicals

- Do not use the following products, except in exceptional cases:
  - Substances that have been banned under the Stockholm Convention on Persistent Organic Pollutants (POP);
  - Substances listed in Annex III of the Rotterdam Convention;
  - Pesticides categorized as WHO Class 1A or 1B.
- Have a policy to minimize the use of pesticides and fertilizers (incl. Paraquat).

Additional requirements for Projects related to livestock or poultry

In addition to the requirements applying to all agriculture projects, BNP Paribas will only provide financial products or services to livestock or poultry projects that comply with or plan to achieve compliance with the IFC's Good Practice Note on Improving Animal Welfare in Livestock Operations.

3.1.2 Evaluation criteria

BNP Paribas will also carry out an analysis of the proposed agriculture project. The following evaluation criteria will be considered as key areas of due diligence. BNP Paribas will therefore determine whether Agriculture projects:

3.1.2.1 Criteria for all agriculture projects

General Environmental Management

- Have obtained or plan to obtain ISO 14001 or equivalent certification*;
- Put in place measures to monitor and reduce Greenhouse Gas (GHG) emissions including CO_2 (carbon dioxide) and CH_4 (methane), energy consumption, waste generation and disposal and to ensure soil integrity*.

Working conditions and human rights*

- Provide workers training program on environmental risks and social issues.

Health and safety

- Have obtained or plan to obtain OHSAS 18001 or equivalent certification*;
- Have a health & safety management plan which includes measures to avoid and reduce hazards.

Global food security*

- Minimize food wastage during harvesting, storage and transport.

Food safety and traceability

- Have obtained or plan to obtain ISO 22000 certification (which is based on HACCP Principles), or equivalent food safety management certification*.

Additional criteria for Farming projects

In addition to the criteria applying to all agriculture projects, BNP Paribas will determine whether the farming projects:

General Environmental Management

- Take measures to minimize water use (e.g. for irrigation) and monitor impacts on water availability for other users, particularly in water stressed areas;
- Put in place measures to avoid soil salinization;
- Manage their effluents to minimize water pollution.

Biodiversity

- Implement Polyculture systems to protect biodiversity;
- Integrate High Carbon Stock (HCS) analysis when developing new farming projects, and work with the relevant experts in that field*.

Soil Integrity*

- Put in place measures to maintain soil integrity and fertility.

Agrochemicals

- Implement an Integrated Pest Management Plan;
- Do not use or plan to eliminate pesticides included in the SIN List from their operations.

Global food security*

- Avoid and minimize the potential adverse impacts on local subsistence agriculture when developing a new farming project (by the introduction of new crops or the replacement of existing local crops, for biofuel production or any other type of non-subsistence farming activity).

Additional criteria for Projects related to livestock and poultry

In addition to the criteria applying to all agriculture projects, BNP Paribas will determine whether the livestock and poultry projects implement the "Business Benchmark on Farm Animal Welfare" recommended policies and management systems[5].

It is also recognized that cage housing conditions is an important issue in terms of animal fair treatment, in particular in the chicken value chain, the most consumed meat globally. We also encourage our clients to:

- Consider projects including cage-free infrastructures for broilers and laying hens by 2025;
- Implement the Responsible Minimum Standards of the FARMS Initiative, in particular by encouraging that all farming projects related to chicken (broilers and laying hens) respect a maximum stocking density of 30 kg/m^2.

3.2 AGRICULTURE COMPANIES

3.2.1 Mandatory requirements

BNP Paribas will only provide financial products or services to agriculture companies which:

3.2.1.1 All agriculture companies

General environmental management*[6]

- Have a Water Management Plan and disclose water consumption.

Biodiversity

- Are not involved in the trade of any plant or animal species or products governed by the Convention on International Trade in Endangered Species of Wild Fauna or Flora (CITES) not authorized by a CITES permit.

Working conditions and human rights

- Do not use child or forced labor[7] ;
- Have a grievance mechanism in place through which workers' concerns can be raised and addressed;
- Respect the right of workers to organize in a trade union or ensure workers' interest and voice can be heard within the company[8];
- Do not discriminate against employees and applicant for employment[9].
- Have a Human Resources policy or a Code of Conduct.

Health & Safety

- Have a policy in place to protect worker's health and safety conditions and disclose health and safety track record.

[5] detailed description can be found at www.bbfaw.com
[6] (*) for large companies only
[7] ILO conventions C138 Minimum Age (1973); C182 Worst Forms of Child Labor (1999); C29 Forced Labor (1930)
[8] ILO convention C087 Freedom of Association and Protection of the Right to Organize Convention (1948) and C098 Right to Organize and Collective Bargaining (1949)
[9] ILO Conventions C100 Equal Remuneration (1951) and C111 Discrimination (employment and occupation) (1958)

Land tenure and local communities rights*

- Have a policy in place to obtain the Free, Prior and Informed Consent (FPIC) of the local communities impacted by new agriculture projects and have a grievance mechanism in place through which local communities' concerns can be raised and addressed;
- Do not engage in Land grabbing practices.

Food Safety and traceability

- Have a policy on food safety and traceability covering their sourcing and own operations.

Additional requirements for Farming activities

In addition to the requirement applying to all agriculture companies, BNP Paribas will only provide financial products or services to companies that:

Biodiversity

- Do not develop new farming projects in the following protected areas:
  - UNESCO World Heritage Sites
  - Wetlands on the Ramsar list
  - Alliance for Zero Extinction sites
  - IUCN Category I-IV areas
  - Peat lands

- Conduct a High Conservation Value (HCV) assessment or equivalent prior to developing new farming projects, especially on Key Biodiversity Areas, and commit to not adversely impact HCV areas in a manner that would result in the irremediable loss of one or more of the six High Conservation Values*.

Agrochemicals

- Do not use the following products, except in exceptional cases:
  - Substances that have been banned under the Stockholm Convention on Persistent Organic Pollutants (POP);
  - Substances listed in Annex III of the Rotterdam Convention;
  - Pesticides categorized as WHO Class 1A or 1B
- Have a policy to minimize the use of pesticides, and fertilizers (incl. Paraquat).

3.2.1.2 Physical agricultural products merchants and traders

BNP Paribas will only provide financial products or services to physical agricultural products merchants and traders which have a policy on food safety and traceability covering their sourcing and their own operation.

3.2.2 Evaluation criteria

BNP Paribas will also carry out an analysis of the considered Agriculture companies. The following evaluation criteria will be considered as key areas of due diligence. BNP Paribas will therefore assess whether companies:

3.2.2.1 Criteria for all agriculture companies

General environmental management

- Have obtained or plan to obtain ISO 14001 certification, or equivalent certification*;
- Put in place measures to monitor and reduce GHG emissions including CO_2 (carbon dioxide) and CH_4 (methane), energy consumption, waste generation and disposal, and to ensure soil integrity*;
- Publish externally audit annual environmental and social reports*;
- Have been regularly and repeatedly criticized for their environmental, social and governance performance on material issues, and whether actions have been taken to address them;
- Engage in sustainable initiatives as listed in section 3.4.*

Working conditions and human rights

- Have a policy in place covering maximum working hours;
- Provide workers training program on environmental risks and social issues*.

Health and Safety

- Have obtained or plan to obtain OHSAS 18001 certification or equivalent certification*;
- Have a health and safety policy which includes measures to avoid and reduce hazards, in particular through the training of workers.

Global food security*

- Engage and cooperate with small-scale producers:
  - Provide training on improved growing techniques and on health and safety issues including agrochemicals use;
  - Agree on fair market practices, e.g. fair and transparent terms of trade, quality requirements, pricing structure and access to dispute resolution mechanisms.
- Minimize food wastage during harvesting, storages and transport.

Food Safety and traceability

- Have or plan to obtain ISO 22 000 certification (which is based on HACCP Principles), or equivalent food safety management certification*.

Additional criteria for Farming activities

In addition to the criteria applying to all agriculture companies, BNP Paribas will determine whether the farming companies:

- Integrate High Carbon Stock (HCS) analysis when developing new farming projects, and work with the relevant experts in that field.

Agrochemicals

- Implement an Integrated Pest Management plan for their farming operations;
- Do not use or plan to eliminate the use of pesticides included in the SIN List for their operations.

Global food security*

- Avoid and minimize the potential adverse impacts on local subsistence agriculture when developing a new farming project (by the introduction of new crops or the replacement of existing local crops, for biofuel production or any other type of non-subsistence farming activity).

Additional criteria for Livestock and poultry activities

In addition to the criteria applying to all agriculture companies, BNP Paribas will determine whether companies, for their livestock and poultry activities:

- Operate in line with the IFC's Good Practice Note on Improving Animal Welfare in Livestock Operations, in particular adopt good management practices on animal husbandry, housing systems, genetics and breed selection;
- Implement the "Business Benchmark on Farm Animal Welfare" recommended policies and management systems[10].

It is also recognized that cage housing conditions is an important issue in terms of animal fair treatment, in particular in the chicken value chain, the most consumed meat globally. We encourage our client to:

- Engage in a transition towards systems including cage-free infrastructures for broilers and laying hens by 2025;
- Implement the Responsible Minimum Standards of the FARMS Initiative, in particular by encouraging all farming companies involved in chicken operations (broilers and laying hens) to respect a maximum stocking density of 30 kg/m^2.

3.2.2.2 Criteria for seeds/grains producing companies

The following evaluation criteria will be considered as key areas of due diligence. BNP Paribas will therefore assess whether companies:

- Can demonstrate the quality and safety of their seeds/grains;
- Provide transparent and comprehensive information on the seeds/grains usage and on the consequences of their use, especially for products in which gene technology is incorporated (GMOs).

[10] A detailed description is available here: www.bbfaw.com

3.2.2.3 Criteria for physical agricultural products merchants and traders

BNP Paribas will assess whether companies set up policies to source or trade agricultural products from companies that do not contradict the mandatory requirements listed in section 3.2.1 of this policy.

3.3 COMPANIES INVOLVED IN ACTIVITIES RELATED TO SOY AND BEEF IN THE BRAZILIAN AMAZON AND CERRADO

Beef and soybean production in Brazil accelerates deforestation in the Amazon and the Cerrado. Whether legal or illegal, it jeopardises the ecological integrity and future of these two biomes. Faced with this degradation, there is an urgent need for all relevant stakeholders to prioritise land use strategies that integrate zero deforestation, sustainable production and a positive social impact. Financial institutions exposed to the agricultural sector in Brazil must contribute to this fight against deforestation. This is the case for BNP Paribas, which is one of the foreign banks present in the country and which has certain international customers, producers or dealers who are directly concerned.

In this context of degradation, the Group is strengthening its policy and defining restrictive criteria to accelerate the progress of its customers in terms of fighting against deforestation and ensuring traceability. The policy sets out the conditions for the bank to provide financial services to companies (producers, meat conditioners and traders) producing or buying beef or soybeans from the Amazon and the Cerrado regions.

BNP Paribas commits itself to this goal to encourage its customers producing or buying beef or soy from the Amazon and the Cerrado in Brazil to become 'zero deforestation' and to demonstrate transparently their progress.

The below criteria apply to companies (producers, meat conditioners, and traders) producing or purchasing beef or soy in the Brazilian Amazon and Cerrado.

BNP Paribas will only provide financial products or services to companies with a strategy towards zero deforestation in their production and supply chains by 2025 at the latest.

Specifically:

- For the Amazon, BNP Paribas will not finance clients producing or purchasing beef and soy on/from areas cleared or converted after 2008, i.e. clients must apply a 2008 cut-off date[11] in the Amazon, in line with regulation and sector agreements;
- For the Cerrado, BNP Paribas will engage its clients to not produce or purchase beef or soy on/from areas cleared or converted after January 1, 2020, in line with global norms;
- For all clients, BNP Paribas will require full traceability of beef and soy supply chains (direct and indirect) by 2025;
- In particular, BNP Paribas expects its clients to demonstrate progress on:
  - Applying deforestation and conversion risk assessment of their beef and soy supply chains;
  - Implementing monitoring systems to map and trace their direct and indirect beef and soy supply chains in the Amazon and Cerrado;
  - Regularly reporting on progress towards deforestation and conversion-free beef and soy in their supply chains;
  - Implementing supplier engagement programs to promote zero deforestation practices;

[11] The cutoff date specifies the permissibility of deforestation or conversion based on the timing of such events on the ground. Clearance of natural forest after the cutoff date renders the affected area or production unit, and the commodity produced there, non-compliant with no-deforestation commitments. Similarly, clearance of any natural ecosystems after the cutoff date renders the affected area or production unit, and the commodity produced there, non-compliant with no-conversion commitments. (Source: Accountability Framework, Operational Guidance on Cutoff Dates, June 2019, Minor Revision March 2020, https://accountability-framework.org/the-accountability-framework/download-the-full-framework/)

- Exclusion of suppliers who contravene their zero deforestation strategy;
- Publishing or providing on demand the criteria of non-compliance and the course of action for the resolution of non-compliant suppliers.

3.4 GOOD INDUSTRY PRACTICES

BNP Paribas also encourages agriculture companies to follow internationally recognized best practices on the key environmental, social and societal stakes of the agriculture sector. The Group encourages companies, depending on their activities:

- To adhere to the FAO Voluntary Guidelines on the responsible Governance of tenure.
- To follow the FAO-OECD Guidance for Responsible Agricultural Supply Chains.
- To comply with World Bank Group Environmental, Health and Safety Guidelines both general and specific to the Agribusiness and Food production sectors.
- To become an active member of Global G.A.P and comply with SAN Standards.
- To implement the IFC Good Practice Note on Improving Animal Welfare in Livestock Operations.
- To follow the CEO Water Mandate Corporate Water Disclosure Guidelines[12].
- To comply with the CGF Responsible Soy Sourcing Guidelines.

Moreover:

- Agricultural commodities producers are encouraged to have their crop fields or plantations certified against the RTRS, BCI, Bonsucro or UTZ (as defined in section 8) principles and standards. In particular, cattle farmers are encouraged to have their production systems certified against the SCPS Standards (SAN).
- Agricultural commodities primary processors and traders are encouraged to set up policies requiring that their suppliers become certified against the RTRS, BCI, Bonsucro, UTZ or SCPS principles and standards.
- Forest managers and processors of timber products are encouraged to have their forest concessions certified against the Forest Stewardship Council (FSC) or the Program for the Endorsement of Forest Certification (PEFC) standard.

3.5 SPECIFIC POSITION ON AGRICULTURE COMMODITIES

BNP Paribas supports economic development, placing priority to investments in companies and projects with demonstrated utility.

Certain investment products raise questions as to their impact on agricultural commodities prices and thus their impact on the world's most exposed populations.

To make a positive contribution to establishing a stable long-term relationship between physical and financial commodities markets, BNP Paribas has adopted measures to ensure that its financial instruments do not contribute to destabilization of the agricultural commodities market.

3.5.1 Corporate clients

The Group offers solutions for its corporate clients (agriculture products manufacturers, producers or merchants) to protect themselves against unforeseeable changes in the economic environment and the world markets, in particular hedging solutions against the risk of price volatility of physical commodities.

3.5.2 Individual and institutional investors

[12] http://ceowatermandate.org/files/Disclosure2014.pdf

Given the fact that questions are raised about the impact of investment products containing agricultural commodity prices as underlying, BNP Paribas has made a commitment not to offer individual and institutional investors BNP Paribas internal funds containing exposure to agricultural commodities.

4. GROUP-LEVEL IMPLEMENTATION MECHANISMS

Result of the evaluation according to the present policy will provide elements for decision making by BNP Paribas. As and when necessary, an ad hoc senior management committee shall examine these results. If required, BNP Paribas may request complementary due diligence before concluding on the acceptability of the transaction.

When necessary, BNP Paribas will engage an external expert to undertake the analysis required by this policy.

Operational tools and awareness workshops are rolled out to ensure that Group's staff is able to implement this CSR sector policy.

4.1 FINANCIAL PRODUCTS AND SERVICES

The information related to the above requirements will be obtained from the agriculture clients by BNP Paribas' client relationship managers.

BNP Paribas will review regularly the performance of agriculture companies against the policy. If BNP Paribas becomes aware that a client operates outside the requirements of the policy, a dialogue will be engaged with the client in order to find an acceptable solution to improve the situation in a timely manner. If this dialogue is unfruitful BNP Paribas may decide not to pursue any new business with such client and will place existing business under review or exclusion, taking into account existing contractual agreements.

4.2 ASSET MANAGEMENT

This policy applies to all BNP Paribas entities managing proprietary assets and third party assets.

External asset managers are actively monitored and strongly encouraged to implement similar standards.

BNP Paribas Asset Management joined the Principles for Responsible Investment (PRI)[13] Initiative in 2006. It acknowledges that, in its fiduciary role, environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios. The Group encourages other investors to adopt the Principles.

5. POLICY DISCLOSURE AND FOLLOW-UP

BNP Paribas' stakeholders will be informed of the existence and the content of this policy. Such policy will be posted on BNP Paribas' website. Furthermore a copy will be provided to BNP Paribas' clients and potential clients as part of the due diligence process or upon discussion of any financial services to be provided subsequent to the official release date of this policy.

BNP Paribas will review this policy regularly and, in the light of the prevailing circumstances, it may update it to make sure it is in continued alliance with national and international regulations and best practices.

[13] http://www.unpri.org/

6. DISCLAIMERS

In order to comply with regulations and to implement the principles defined in its internal procedures and sector policies, BNP Paribas does its best to gather information, particularly from agriculture companies, on their sustainability policies and practices. BNP Paribas relies on the information gathered from concerned companies and its partners. However, it depends on the quality, accuracy and up-to-datedness of the information.

7. GLOSSARY

The following definitions apply in this policy:

Agrochemical	A chemical substance used in agricultural production systems to maintain soil fertility (compost or fertilizer), control weeds (herbicide), combat pests (insecticides, fungicides, nematicides, rodenticides, etc.) or stimulate growth.
Alliance for Zero Extinction sites (AZE)	The AZE is a joint initiative of worldwide biodiversity conservation organizations, which aims to prevent extinctions by identifying and safeguarding key sites, each one of which is the last remaining refuge of one or more Endangered (EN) or Critically Endangered (CR) species. AZE sites contain >95% of the known global population of a given EN or CR species, or >95% of the population for one life history segment (e.g. breeding or wintering) of the EN or CR species. It also has distinctive features and definable boundaries. For the above reasons, the loss of an AZE site would result in the extinction of a species in the wild. https://zeroextinction.org/
Biofuel	A type of energy derived from renewable plant and animal materials. Examples of biofuels include ethanol (often made from corn in the United States and sugarcane in Brazil), biodiesel (vegetable oils and liquid animal fats), green diesel (derived from algae and other plant sources) and biogas (methane derived from animal manure and other digested organic material).
Distributors	Distributors sell agricultural inputs (fertilizers, farm equipment...) to agriculture companies
Forest	Land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ. It does not include land that is predominantly under agricultural or urban land use. Source: FAO http://www.fao.org/docrep/014/am665e/am665e00.pdf
Free, Prior and Informed Consent (FPIC)	Free, Prior and Informed Consent (FPIC) refers to the rights of local communities, particularly indigenous peoples, to participate in decision making about issues impacting them. The principle of FPIC within international development is most clearly stated in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Article 10 states: "Indigenous peoples shall not be forcibly removed from their lands or territories. No relocation shall take place without the free, prior and informed consent of the indigenous peoples concerned and after agreement on just and fair compensation and, where possible, with the option of return."
HACCP (Hazard analysis and critical control points) Principles	HACCP is a systematic preventive approach to food safety and biological, chemical, and physical hazards in production processes that can cause the finished product to be unsafe, and designs measurements to reduce these risks to a safe level. Principle 1 - Conduct a Hazard Analysis Principle 2 - Identify the Critical Control Points Principle 3 - Establish Critical Limits

	Principle 4- Monitor Critical Control Points Principle 5 - Establish Corrective Action Principle 6 – Verification Principle 7 - Recordkeeping The HACCP system can be used at all stages of a food chain, from food production and preparation processes including packaging, distribution, etc.
High Carbon Stock (HCS) Forests	HCS forest definitions have been developed since 2011 through multi-stakeholder field-based research in Indonesia and Africa, with the aim of developing a pragmatic and strong operational method to identify land that is forest and should be conserved, and land that is degraded and can be developed. HCS forests are those identified as High, Medium, Low Density and Regenerating Forests under the following vegetation strata characteristics: • High Density Forest: Remnant forest of advanced secondary forest close to primary condition • Medium Density Forest: Remnant forest but more disturbed than High Density Forest • Low Density Forest: Appears to be remnant forest but is highly disturbed and recovering • Regenerating Forest: Mostly young regrowth forest but with occasional patches of older forest. • Young Scrub: Recently cleared areas with some woody regrowth and grass-like ground cover • Cleared/Open Land: Very recently cleared land with mostly grass or crops and few noncrop woody plants. Young Scrub and Cleared/Open Land areas may be developed. At the time of writing, multi-stakeholder research and pilot studies are underway across a number of geographies to refine the methodology and identify HCS areas that can and should be protected.
High Conservation Value (HCV)	High Conservation Value areas are critical areas in a landscape which need to be appropriately managed in order to maintain or enhance High Conservation Values. The HCV approach is a corner-stone of many global sustainability standards, including FSC, RSPO, RTRS, some carbon schemes and many sourcing and investment policies. There are six main types of High Conservation Values areas: • HCV 1 Areas containing globally regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia). • HCV 2 Globally regionally or nationally significant large landscape-level areas where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance. • HCV 3 Areas that are in or contain rare threatened or endangered ecosystems. • HCV 4 Areas that provide basic ecosystem services in critical situations (e.g. watershed protection erosion control). • HCV 5 Areas fundamental to meeting basic needs of local communities (e.g. subsistence health). • HCV 6 Areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with local communities).
IFC's Good Practice Note on Improving Animal	This Note is part of the IFC's commitment to provide enhanced support to its clients in the development of a responsible and forward-looking approach to livestock operations to, among other things, help producers access and maintain entry into high quality and value market segments. It also provides guidance on a range of approaches to animal welfare. It

Welfare in Livestock Operations	covers traditional livestock production (dairy, beef, broiler chickens, layer chickens, pigs, and ducks) and aquaculture in intensive and extensive systems (although this policy does not apply to aquaculture). ifc-good-practice-note-animal-welfare-2014.pdf (December 2014)
Integrated Pest Management (IPM)	A long-term prevention strategy to combat pests, involving a combination of techniques, such as biological control (use of beneficial insects or microbes), use of crop-resistant varieties and the use of alternative agricultural practices (spraying, fertilizing or pruning). The objective of IPM is to make conditions less favorable for pest development. Pesticides are used only when the damage caused by pests is greater than the level that the farmer can economically sustain.
IUCN (International Union for Conservation of Nature) I-IV	IUCN protected area management categories classify protected areas according to their management objectives. The categories are recognized by international bodies such as the United Nations and by many national governments as the global standard for defining and recording protected areas and as such are increasingly being incorporated into government legislation. • Ia Strict Nature Reserve • Ib Wilderness Area • II National Park • III Natural Monument or Feature • IV Habitat/Species Management Area
Key Biodiversity Areas	KBAs incorporate information from the IUCN Red List of Threatened Species, BirdLife International's Important Bird Areas, Plantlife International's Important Plant Areas, IUCN's Important Sites for Freshwater Biodiversity, and sites identified by the Alliance for Zero Extinction. KBAs are identified at the national, sub-national or regional level by local stakeholders using the two globally standard criteria of vulnerability and irreplaceability, and therefore must contain: • One or more globally threatened species; • One or more endemic species which are globally restricted to the site or surrounding region; • Significant concentrations of a species (e.g. important migratory stops, nesting sites, nurseries or breeding areas); and/or • Globally significant examples of unique habitat types and species assemblages. For more information: http://www.biodiversitya-z.org/content/key-biodiversity-areas-kba
Land grabbing	Contentious issue of large-scale land acquisitions concerning the buying or leasing of large pieces of land in developing countries, by domestic and transnational companies, governments, and individuals.
Management Plan	A management plan summarizes the commitment of a company or project to address and mitigate the identified risks and impacts of its operations (through avoidance, minimization, and compensation/offset), as well as to monitor and improve its performance. Management plans are usually translated into operational procedures.
Origination operations	Supply chain services and commodity management between producers and suppliers. Originators usually provide producers with liquidity and physical asset base and storage capacity to improve commodity flow into key markets.
Paraquat	Paraquat is the trade name for one of the most widely used herbicides. It is quick-acting and non-selective, killing green plant tissue on contact. It is toxic to animals and human beings, and linked to development of Parkinson's disease. In the United States, paraquat is classified as "restricted use", which means that it can be used by licensed applicators only. In the European Union, paraquat has been forbidden since 2007.
Peat lands	A soil that contains at least 65% organic material, is at least 50 cm in depth, covers an area of at least 1 ha, and is acidic in nature (Driessen, 1978; Wösten & Ritzema, 2001).

Physical agricultural products merchants and traders	Link between producers and industries: agriculture commodity traders offer services to both sellers and buyers (which may be other traders/merchants), and may provide integrated logistics and distribution required for purchase and delivery of the right product at the right time, and managing the risks involved.
Polyculture	Agriculture using multiple crops in the same space, in imitation of the diversity of natural ecosystems, and avoiding large stands of single crops, or monoculture. It includes multicropping, intercropping, companion planting, beneficial weeds, and alley cropping. Polyculture, though it often requires more labor, has several advantages over monoculture: • The diversity of crops avoids the susceptibility of monocultures to disease. • The greater variety of crops provides habitat for more species, increasing local biodiversity. This is one example of reconciliation ecology, or accommodating biodiversity within human landscapes. It is also a function of a biological pest control program.
Rotterdam Convention	Multilateral treaty to promote shared responsibilities in relation to importation of hazardous chemicals. The objectives are to promote shared responsibility and cooperative efforts among Parties in the international trade of certain hazardous chemicals in order to protect human health and the environment from potential harm and to contribute to the environmentally sound use of those hazardous chemicals. The chemicals listed in Annex III include pesticides and industrial chemicals that have been banned or severely restricted for health or environmental reasons by two or more Parties and which the Conference of the Parties has decided to subject to the Prior Informed Consent (PIC) procedure. There are a total of 47 chemicals listed in Annex III, 33 are pesticides (including 4 severely hazardous pesticide formulations) and 14 industrial chemicals. http://www.pic.int/TheConvention/Chemicals/AnnexIIIChemicals/tabid/1132/language/en -US/Default.aspx
SIN List	The Substitute It Now (SIN) List has been developed by the International Chemical Secretariat (ChemSec). This list is a database of chemicals identified as Substances of Very High Concern based on the criteria established by the EU chemicals regulation REACH. The full list can be found at http://sinlist.chemsec.org
Soil salinization	Following irrigation, the water added to the soil is used by the crop or evaporates directly from the moist soil. The salt contained in this irrigation water is left behind in the soil and accumulates, leading to soil salinization unless it is removed or dissolved. Soil salinization can have dramatic consequences, through the reduction of soil fertility, and is considered as a major source of desertification worldwide. Source: http://www.fao.org/docrep/r4082e/r4082e08.htm#7.2.2soil salinity
Stockholm Convention on Persistent Organic Pollutants	A global treaty to protect human health and the environment from chemicals that remain intact in the environment for long periods, become widely distributed geographically, accumulate in the fatty tissue of humans and wildlife, and have harmful impacts on human health or on the environment. Exposure to Persistent Organic Pollutants (POPs) can lead to serious health effects including certain cancers, birth defects, dysfunctional immune and reproductive systems, greater susceptibility to disease and damages to the central and peripheral nervous systems. http://chm.pops.int/TheConvention/ThePOPs/ListingofPOPs/tabid/2509/Default.aspx
Traceability	The ability to follow the movement of a food through specified stage(s) of production, processing and distribution. The traceability/product tracing tool should be able to identify at any specified stage of the food chain (from production to distribution) from where the food came (one step back) and to where the food went (one step forward), as

	appropriate to the objectives of the food inspection and certification system. (Codex Alimentarius Commission, CAC 2006).
UNESCO World Heritage Sites	Designated cultural and natural heritage areas around the world that are considered of outstanding value to humanity and which are listed under the World Heritage Convention. http://whc.unesco.org/en/list
Wetlands on the Ramsar List	These wetlands are defined as "Sites containing representative, rare or unique wetland types" or "Sites of international importance for conserving biological diversity" listed in the Convention on Wetlands adopted in Ramsar, Iran in 1971 (http://www.ramsar.org/).
WHO Class Ia or Ib	Correspond to the pesticides that pose the greatest risks to human health according to the World Health Organization's Recommended Classification of Pesticides. Hazard 1a being "extremely hazardous" and 1b being "highly hazardous". (http://www.who.int/ipcs/publications/pesticides_hazard/en/)
World bank Group's Agribusiness and Food Production EHS Guidelines	Technical reference documents with general and industry-specific examples of good international industry practices. The Environmental, Health and Safety (EHS) Guidelines contain the performance levels and measures that are generally considered to be achievable at reasonable costs by existing technology. https://www.ifc.org/en/insights-reports/general-environmental-health-and-safety-guidelines/ehs-guidelines-agribusiness-and-food-production

Definitions above are likely to change over time. We will monitor international developments and continue to follow internationally recognized conventions where possible.

8. SECTORIAL STANDARDS AND CERTIFICATIONS

BCI Better Cotton Initiative	A voluntary program that aims to reduce the amount of water and chemicals used to grow cotton and improve social and economic benefits for cotton farmers, small and large, worldwide. http://bettercotton.org/
Bonsucro Former Better Sugarcane Initiative	An initiative of the WWF, Bonsucro is a group of sugarcane retailers, investors, traders, producers and NGOs who seek to create international standards that define sustainable sugarcane cultivation. www.bonsucro.com
Global G.A.P Good Agricultural Practice	Private sector body that sets voluntary standards for the certification of agricultural products around the globe. The aim is to establish a standard for Good Agricultural Practice www.globalgap.org/
RTRS Round Table on Responsible Soy association	Requirements to halt conversion of areas with high conservation value, to promote best management practices, to ensure fair working conditions, and to respect land tenure claims. https://responsiblesoy.org/?lang=en
SAN Sustainable Agriculture Network Standards	Promotion of efficient and productive agriculture, biodiversity conservation and sustainable community development through 10 social and environmental standards. https://www.sustainableagriculture.eco/
SCPS Standards Cattle Production Systems	Standard created by SAN. It includes 5 principles and 36 additional criteria dedicated to the following topics: 1. Integrated cattle management system 2. Sustainable range and pasture management 3. Animal welfare 4. Reducing the carbon footprint 5. Additional environmental requirements for cattle farms Additionally, the current SAN standards on water protection and waste management are being adapted and strengthened for cattle farms.
UTZ Certified Coffee, Cocoa, Tea certifications	UTZ Certified is a foundation for the worldwide implementation of a standard for responsible coffee, cocoa, tea and rooibos farming and sourcing. UTZ certified cooperatives, estate farms and producer groups comply with the Code of Conduct for the respective products. This Code is a set of criteria for sustainable and professional coffee growing, which includes socially and environmentally appropriate coffee growing practices, and efficient farm management. UTZ Certified products are traceable from grower to end product manufacturers. https://www.rainforest-alliance.org/utz/

About this document

Sectoral policies are an integral part to the BNP Paribas risk management framework, which is critical to its long-term business interests and required by its regulators.

They reflect BNP Paribas' commercial and independent approach to managing, in particular, financial risks and potential impacts related to the activities of clients or investees in sectors that are of heightened sensitivity from an environmental and social perspective.

They also help direct the Group's financing and investment activities towards areas where it can deliver the best service to its clients.

Each client and transaction is assessed on a case-by-case basis in line with BNP Paribas' risk appetite, strategy and commercial interests.

The application of the provisions set out in this policy remains subject to compliance with applicable laws and regulations.