

SFDR

Statement on principal adverse impacts of investment decisions on sustainability factors

July 2023



BNP PARIBAS

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Financial market participant: BNP Paribas (including the German and Spanish branches), LEI ROMUWSFPU8MPRO8K5P83

BNP Paribas SA considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of BNP Paribas SA and its branches, BNP Paribas Spain and BNP Paribas Germany.

This statement on principal adverse impacts on sustainability factors covers the **reference period** from January 1st 2022 to December 31st 2022.

Summary of the principal adverse impacts

This statement is established in accordance with the rules defined by the Regulatory Technical Standards of European Regulation 2019/2088, known as SFDR, Sustainable Finance Disclosure Regulation. Its objective is to assess the principal adverse impacts on sustainability factors (so called PAI) generated by companies or governments that are the subject of financial investments as part of the BNP Paribas discretionary portfolio management department within the Wealth Management Business Line.

The PAIs are therefore quantitative indicators enabling this assessment. They require a large number of data for their calculation, the reliability of which may vary depending on whether they are based either on the statements of issuers (Corporates, States, etc.) or on estimates made by data providers.

The sustainable data market is in complete evolution, particularly on PAI Data which is a new area. Moreover, limited data is reported by issuers as of today, given the timeline of the EU Regulations implementation. The regulations defining these data and their publication have implementation dates either very recent (November 2022 for the obligation for producers of financial products to provide distributors with information on the sustainable characteristics of their products) or still to come (from January 2024 for CSRD, the directive requiring companies to publish a certain number of environmental, social and governance data).

Given this situation, a policy of qualitative consideration of the main negative impacts was already in place in discretionary portfolio management activities in 2022, as explained below in the section entitled "Description of policies to identify and prioritise main adverse impacts on sustainability factors". Indeed, the ESG analysis of financial assets carried out by BNP Paribas is based on indicators from external providers,



internal qualitative research and International Institutions, that are for some correlated with Principal Adverse Impacts (PAI). The impact of these indicators and their weight in the final sustainability rating of the asset vary according to the specificity of the asset class, the issuer, the region or the sector concerned and are described in the methodologies of specific ESG analysis.

It can also be noted that discretionary portfolio management, when investing in external funds, with respect to PAIs consideration, depends from: (i) the management choices of the external asset managers, known a posteriori and (ii) the choice of data providers they rely upon, as their data may significantly vary from the ones of BNP Paribas's data providers. Indeed significant discrepancies on quantitative data of certain PAIs have been identified from one data provider to another.

BNP Paribas' ambition is to rely upon more complete and consistent data in order to continue to progressively integrate the PAIs within its Responsible Investment policy.

Description of the principal adverse impacts on sustainability factors

(1) Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast) (OJ L 153, 18.6.2010, p. 13).

Indicators applicable to investments in investee companies					
Adverse sustainability indicator		Metric	Impact [year n]	Explanation	Actions taken and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions (tons CO2e)	229 338	1. Total GHG emissions - Issuers coverage rate : High ¹ - Rate of data reported by the issuers: Medium - Source of reported data: Total GHG emissions reported by the company in its annual report and / or to an organisation like Carbon Disclosure Project (CDP) for example	In 2022, BNP Paribas has applied its sector policy related to unconventional oil and gas. This policy defines some evaluation and exclusion criteria ² .
		Scope 2 GHG emissions (tons CO2e)	54 482		
		Scope 3 GHG emissions (tons CO2e)	2 006 053		
		Total GHG emissions (tons CO2e)	2 334 437		

¹ The following ranges are used for the coverage and reported data rates : Low: 0-50% / Medium: > 50-75% / High: > 75%

² Unconventional oil and gas exclusion criteria:

- BNP Paribas excludes companies involved in unconventional oil and gas activities, that do not comply with applicable local laws and regulations as well as with international conventions ratified by their operating countries.
- BNP Paribas excludes companies for which the business linked to unconventional oil and gas represents a significant part of their revenues.
- BNP Paribas excludes companies involved in unconventional oil and gas that do not comply with the following principles:
 - Companies must have their headquarters located in countries that are not under financial sanctions from France, EU, USA and UN.
 - Companies must not use child or forced labour as defined in the International Labour Organization (ILO) Conventions.



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	2. Carbon footprint	Carbon footprint	574 tons CO2e / EUR M invested	2 - Carbon footprint: <ul style="list-style-type: none"> - Issuers coverage rate : High - Rate of data reported by the issuers: Medium - Source of reported data: Total GHG emissions reported by the company in its annual report and / or to an organisation like CDP) for example. Enterprise value reported by the company and shared by a data provider.	In addition, regarding mining companies ³ and power generation, BNP Paribas applied a zero Clover scoring ⁴ on each BNP Paribas Asset Management exclusion. Criteria regarding these BNP Paribas Asset Management
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- Companies must have a policy in place to protect their workers' health and safety and disclose or provide their track record regarding health and safety at company level.
- Companies must disclose or provide information at company level on their performance related to water use, waste generation, energy consumption, GHG emissions, and land reclamation strategy.

Excluded companies are not part of the BNP Paribas Recommended Universe.

³ Mining Companies that match with one of the following criteria are excluded:

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

Electricity production: BNPP Asset Management will exclude all power generators that meet any of the following criteria:

- are adding operational coal-fired power generation capacity to their power portfolio
- have a carbon intensity above the 2017 global average of 491 gCO2/kWh. This exclusion will be further tightened following the Paris-compliant trajectory for the sector as determined by the International Energy Agency ('IEA') Sustainable Development Scenario (SDS). This means power generators' carbon intensity will need to fall to 327 gCO2/kWh by 2025, otherwise they will be excluded from our investment portfolios.

⁴ Please refer to the section below: "Description of policies to identify and prioritise principal adverse impacts on sustainability factors" and to the presentation of the Clover scoring methodology on the BNP Paribas web site: [Clover Rating \(wealthmanagement.bnpparibas\)](https://wealthmanagement.bnpparibas.com/clover-rating)

	3. GHG intensity of investee companies	GHG intensity of investee companies	1 106 tons CO2e / EUR M revenue	3 - GHG intensity of investee companies: <ul style="list-style-type: none"> - Issuers coverage rate : High - Rate of data reported by the issuers: Medium - Source of reported data: GHG intensity of investee companies: Total GHG emissions reported by the company in its annual report and / or to an organisation like CDP for example. Revenue reported by the company and shared by a data provider. 	<p>exclusions are available in BNP Paribas Asset Management RBC Policy.</p> <p>In 2023, BNP Paribas has strengthened its Oil and Gas policy and excludes entities that do not respect its criteria⁵.</p> <p>In addition, regarding thermal-coal mining</p>
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⁵ What's new in 2023:

- BNP Paribas excludes energy companies that derive 10% or more of their activities from unconventional oil and gas, from a previous threshold of 30%
- BNP Paribas now excludes energy companies that derive 10% or more of their exploration and production activities from the Arctic region
- BNP Paribas now excludes energy companies with oil and gas reserves in the Amazon as well as those actively developing related infrastructure in the Amazon
- Companies that do not meet the mandatory criteria are excluded. By exception, companies that do not meet the mandatory criteria may be added to a monitoring list, meaning they are eligible for investment subject to regular review, if they have credible climate commitments and realistic transition plans.

BNP Paribas Wealth Management provides its clients with products (securities and internal funds) that comply with this policy and encourages external managers to adopt the standards defined in this policy.

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	8.95 %	4 - Exposure to companies active in the fossil fuel sector: <ul style="list-style-type: none"> - Issuers coverage rate : High - Rate of data reported by the issuers: High - Source of reported data: Exposure to companies active in the fossil fuel sector: the data provider seeks evidence of corporate involvement in controversial activities in the fossil fuel sector as classified in the RTS and review the exposure instance by checking the company's regulatory filings, annual reports, company websites and third-party sources, including news, media, and non-governmental organizations. 	industry and generation of electricity from coal, BNP Paribas has strengthened its policy in June 2023, excluding from its Recommended Universe all issuers subject to exclusion according to BNP Paribas Asset Management RBC policy.
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	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	<p>5.1 - Consumption: 62 %</p> <p>5.2 - Production: 39 %</p>	<p>5.1 - Consumption:</p> <ul style="list-style-type: none"> - Issuers coverage rate: Medium - Rate of data reported by the issuers: Medium - Source of reported data: Total energy consumption and energy breakdown (renewal vs non-renewal) reported by the company in its annual report and / or to an organisation like CDP for example. <p>5.2 - Production:</p> <ul style="list-style-type: none"> - Issuers coverage rate: Low - Rate of data reported by the issuers: Low - Source of reported data: Total energy production and energy breakdown (renewal vs non-renewal) reported by the company in its annual report and / or to an organisation like CDP for example. <p>90% of the assets under management are outside of the calculation scope of this PAI</p>	<p>These PAI and/or PAI-adjacent indicators have been taken into account in the clover qualitative methodology used in discretionary portfolio management⁶:</p> <ul style="list-style-type: none"> - For direct lines and BNP Paribas Asset Management funds, these PAI are embedded in BNP Paribas Asset Management ESG scoring methodology. - For external asset managers funds, BNP Paribas assesses the way they address controversies and negative impacts on ESG factors. <p>With the gradual improvement</p>
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⁶ Please refer to the section below: "Description of policies to identify and prioritise principal adverse impacts on sustainability factors"

	6. Energy consumption intensity per high impact climate sector	<p>Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</p> <p>GWh / EUR M revenue</p>	<p>Total: 0.69</p> <p>Sector A: 0.77</p> <p>Sector B: 0.88</p> <p>Sector C: 0.50</p> <p>Sector D: 2.86</p> <p>Sector E: 2.29</p> <p>Sector F: 0.15</p> <p>Sector G: 0.07</p> <p>Sector H: 1.00</p> <p>Sector L: 0.46</p>	<p>6 - Energy consumption intensity per high impact climate sector</p> <ul style="list-style-type: none"> - Issuers coverage rate: Low - Rate of data reported by the issuers: Low - Source of reported data: Total energy consumption and energy breakdown (renewal vs non-renewal) reported by the company in its annual report and / or to an organisation like CDP for example. Revenue reported by the company and shared with us by the partner provider. 42% of the assets under management are outside of the calculation scope of this PAI 	<p>of data reported by issuers, BNP Paribas will continue to progressively integrate the PAI within its Responsible Investment policy.</p>
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities	5.97 %	<ul style="list-style-type: none"> - Issuers coverage rate: High - Rate of data reported by the issuers: Not Applicable. - Source of reported data: This data is not reported by companies, but estimated by the data provider who seeks evidence of corporate involvement in controversial activities affecting biodiversity- 	<p>These PAI and/or PAI-adjacent indicators have been taken into account in the clover qualitative methodology used in discretionary portfolio management⁷:</p> <ul style="list-style-type: none"> - For direct lines and BNP Paribas Asset Management funds, these PAI are embedded in BNP Paribas Asset

⁷ Please refer to the section below: "Description of policies to identify and prioritise principal adverse impacts on sustainability factors"



		of those investee companies negatively affect those areas		sensitive areas and reviews the accuracy and pertinence of the evidence.	<p>Management ESG scoring methodology⁸.</p> <p>- For external asset managers funds, BNP Paribas assesses the way they address controversies and negative impacts on ESG factors.</p> <p>With the gradual improvement of data reported by issuers, BNP Paribas will continue to progressively integrate the PAI within its Responsible Investment policy.</p>
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⁸ Please refer to BNP Paribas Biodiversity Roadmap: [940B42EF-AFFF-4C89-8C32-D9BFBA72BF24 \(bnpparibas-am.com\)](https://www.bnpparibas-am.com/940B42EF-AFFF-4C89-8C32-D9BFBA72BF24)

Water	8. Emissions to water	Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.003 tons / EUR M invested	<ul style="list-style-type: none"> - Issuers coverage rate: Low - Rate of data reported by the issuers: Low - Source of reported data: Weight of water pollutants (as defined by the RTS) reported by the company in its annual report and / or to other organisations. <p>Revenue reported by the company and shared with us by the partner provider.</p>	<p>These PAI and/or PAI-adjacent indicators have been taken into account in the clover qualitative methodology used in discretionary portfolio management⁹:</p> <ul style="list-style-type: none"> - For direct lines and BNP Paribas Asset Management funds, these PAI are embedded in BNP Paribas Asset Management ESG scoring methodology. - For external asset managers funds, BNP Paribas assesses the way they address controversies and negative impacts on ESG factors. <p>With the gradual improvement of data reported by issuers, BNP Paribas will continue to progressively integrate the PAI within its Responsible Investment policy.</p>
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⁹ Please refer to the section below: "Description of policies to identify and prioritise principal adverse impacts on sustainability factors"

Waste	9. Hazardous waste ratio	Tons of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	12 tons / EUR M invested	<ul style="list-style-type: none"> - Issuers coverage rate: Medium - Rate of data reported by the issuers: Low - Source of reported data: Weight of hazardous waste (as defined by the RTS) reported by the company in its annual report and / or to other organisations. <p>Revenue reported by the company and shared with us by the partner provider.</p>	<p>These PAI and/or PAI-adjacent indicators have been taken into account in the clover qualitative methodology used in discretionary portfolio management¹⁰:</p> <ul style="list-style-type: none"> - For direct lines and BNP Paribas Asset Management funds, these PAI are embedded in BNP Paribas Asset Management ESG scoring methodology. - For external asset managers funds, BNP Paribas assesses the way they address controversies and negative impacts on ESG factors. <p>With the gradual improvement of data reported by issuers, BNP Paribas will continue to progressively integrate the PAI within its Responsible Investment policy.</p>
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¹⁰ Please refer to the section below: "Description of policies to identify and prioritise principal adverse impacts on sustainability factors"

**SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY
MATTERS**

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	8.81 %	<p>10 - Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises:</p> <ul style="list-style-type: none"> - Issuers coverage rate: High - Rate of data reported by the issuers: Not Applicable. - Source of reported data: This data is not reported by companies, but estimated by the data provider who seeks evidence of corporate involvement in controversial activities breaching the UN Global Compact principles and OECD Guidelines for Multinational Enterprises. <p>Data providers show discrepancies on this indicator due to various interpretations of the PAIs.</p> <p>Some of the data providers indeed take into account potential cases of violation</p>	<p>In 2022, BNP Paribas has applied a zero Clover scoring on each issuers excluded by BNP Paribas Asset Management. Those exclusions are associated with serious and repeated breaches of UNGC Principles and/or mandatory requirements related to controversial sectors and products.</p> <p>Criteria regarding these BNP Paribas Asset Management exclusions are available in BNP Paribas Asset Management RBC Policy.</p> <p>In June 2023, BNP Paribas has strengthened its policy, excluding from the BNP Paribas Recommended Universe all issuers subject to</p>
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	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	0.39 %	<p>or/and have longer prescription period after remediation, as the BNP Paribas data provider (Clarity IA) does, while others do not and would lead to lower exposition percentages.</p> <p>11 - Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD-GME:</p> <ul style="list-style-type: none"> - Issuers coverage rate: High - Rate of data reported by the issuers: High - Source of reported data: the data provider seeks evidence of policies complying with the UNGC and OECD-GME reported by the company in its annual report, website and / or to other organisations. 	<p>exclusion according to BNP Paribas Asset Management RBC Policy.</p> <p>That policy will lead to a reduction of the exposure to issuers who are in breach with UNGC Principles and/or OECD MultiNational Entreprises guidelines.</p>
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	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	10 %	<ul style="list-style-type: none"> - Issuers coverage rate: Low - Rate of data reported by the issuers: Low - Source of reported data: Mean gap reported by the company in its annual report and / or to other organisations. 	<p>These PAI and/or PAI-adjacent indicators have been taken into account in the clover qualitative methodology used in discretionary portfolio management¹¹:</p> <ul style="list-style-type: none"> - For direct lines and BNP Paribas Asset Management funds, these PAI are embedded in BNP Paribas Asset Management ESG scoring methodology. - For external asset managers funds, BNP Paribas assesses the way they address controversies and negative impacts on ESG factors. <p>With the gradual improvement of data reported by issuers, BNP Paribas will continue to progressively integrate the PAI within its Responsible Investment policy.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies	37 %	<ul style="list-style-type: none"> - Issuers coverage rate: High - Rate of data reported by the issuers: High - Source of reported data: Ratio of female to male board members reported by the company in its annual report and / or to other organisations. <p>Revenue reported by the company and shared with us by the partner provider.</p>	

¹¹ Please refer to the section below: "Description of policies to identify and prioritise principal adverse impacts on sustainability factors"

	14. Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0 %	<ul style="list-style-type: none"> - Issuers coverage rate: High - Rate of data reported by the issuers: High - Source of reported data: the data provider seeks evidence of corporate involvement in controversial activities linked to controversial weapons as classified in the RTS and review the exposure instance by checking the company's regulatory filings, annual reports, company websites and third-party sources, including news, media, and non-governmental organizations. 	BNP Paribas policy excludes investee companies involved in the manufacturing or the selling of controversial weapons
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Indicators applicable to investments in sovereigns and supranationals					
Adverse sustainability indicator		Metric	Impact [year n]	Explanation	Actions taken
Environmental	15. GHG intensity	GHG intensity of investee countries	262 tons CO2e / EUR M GDP	<ul style="list-style-type: none"> - Issuers coverage rate: Low - Rate of data reported by the issuers: Low - Source of reported data: Our data provider uses data from a public source (e.g. GDP data from the World Bank). 82% of the assets under management are outside of the calculation scope of this PAI 	<p>These PAI and/or PAI-adjacent indicators have been taken into account in the clover qualitative methodology used in discretionary portfolio management¹²:</p> <ul style="list-style-type: none"> - For direct lines and BNP Paribas Asset Management funds, these PAI are embedded in BNP Paribas Asset Management ESG scoring methodology. - For external asset managers funds, BNP Paribas assesses the way they address controversies and negative impacts on ESG factors. <p>With the gradual improvement of data reported by issuers, BNP Paribas will continue to progressively integrate the PAI within its Responsible Investment policy.</p>

¹² Please refer to the section below: "Description of policies to identify and prioritise principal adverse impacts on sustainability factors"

Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Relative: 4 % Absolute: 5	<ul style="list-style-type: none"> - Issuers coverage rate: Low - Rate of data reported by the issuers: Low - Source of reported data: Our data provider identifies that a country is subject to social violations if it meets any of the criteria below: <ul style="list-style-type: none"> 1. Countries with sanctions imposed by European Union (EU) or the United Nations (UN) that satisfy one of the following: <ul style="list-style-type: none"> - Human rights abuses by the government or governmental institutions including but not limited to the Police, Military and other law enforcement agencies - Evidence to show that at least one person from the list of sanctioned persons in the country holds a position in the government or governmental institutions including but not limited to Police, Military and other law enforcement agencies - Current regime is a result of a coup - Violation of an international law - Misappropriation of public funds resulting in undermining of democracy. 	<p>These PAIs and/or PAI-adjacent indicators have been taken into account in the clover qualitative methodology used in discretionary Portfolio Management :</p> <ul style="list-style-type: none"> - For direct lines and BNP Paribas Asset Management funds, these PAI are embedded in BNP Paribas Asset Management ESG scoring methodology, based on several indicators linked to social violations, including: Labour & Social Protection, Control of Corruption, Democratic Life, Security. - For external asset managers funds, BNP Paribas assesses the way they address controversies and negative impacts on ESG factors. <p>With the gradual improvement of data reported by issuers, BNP Paribas will continue to progressively integrate the PAI within its Responsible Investment policy.</p>
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				<p>2. Countries with sanctions imposed by the Office of Foreign Assets Control (OFAC) from the United States that satisfy the following: Human rights abuses by the government or governmental institutions including but not limited to Police, Military and other law enforcement agencies.</p> <p>82% of the assets under management are outside of the calculation scope of these PAIs.</p>	
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Indicators applicable to investments in real estate assets					
Adverse sustainability indicator		Metric	Impact [year n]	Explanation	Actions taken
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	Not applicable: No direct investments in real estate assets	Not applicable: No direct investments in real estate assets
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	Not applicable: No direct investments in real estate assets	Not applicable: No direct investments in real estate assets

Table 2
Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric	Impact [year n]	Explanation	Actions taken
Indicators applicable to investments in investee companies					
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	53 %	<ul style="list-style-type: none"> - Issuers coverage rate: High - Rate of data reported by the issuers: High - Source of reported data: the data provider includes companies with approved Science-Based Targets that align with the Paris Agreement. 	In 2023, on-going works to strengthen the BNP Paribas policy and best take into account this PAI (see mandatory PAIs 1-4).

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric	Impact [year n]	Explanation	Actions taken
Indicators applicable to investments in investee companies					
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	5 %	<ul style="list-style-type: none"> - Issuers coverage rate: High - Rate of data reported by the issuers: High - Source of reported data: the data provider seeks evidence of human rights policies in line with the RTS definition reported by the company in its annual report, website and / or to other organisations. 	<p>In 2022, BNP Paribas has applied a zero Clover scoring on each issuers excluded by BNP Paribas Asset Management. Those exclusions are associated with serious and repeated breaches of UNGC Principles and/or mandatory requirements related to controversial sectors and products.</p> <p>Criteria regarding these BNP Paribas Asset Management exclusions are available in BNP Paribas Asset Management RBC Policy.</p> <p>In June 2023, BNP Paribas has strengthened its policy,</p>



					<p>excluding from the BNP Paribas Recommended Universe all issuers subject to exclusion according to BNP Paribas Asset Management RBC policy.</p> <p>That policy will lead to a progressive reduction of the exposure to issuers who are in breach with UNGC Principles and/or OECD MultiNational Entreprises guidelines.</p>
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Description of policies to identify and prioritise principal adverse impacts on sustainability factors

BNP Paribas S.A. policy as Financial Market Participant on considering the principal adverse impacts on sustainability factors for portfolio management

Principal adverse impacts on sustainability factors refer to adverse impacts of investment decisions on sustainability factors that mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters

As financial market participant, BNP Paribas S.A. takes into account the impact of the underlying investment on sustainability factors (environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters). BNP Paribas S.A. considers the principal adverse impacts in its portfolio management decisions through the approach detailed hereafter.

BNP Paribas' approach on principal adverse impacts relies on a set of extra-financial data sources and analyses:

The BNP Paribas Group policy: The BNP Paribas sector policy: BNP Paribas S.A. coordinates investment actions in sensitive sectors, excluding a number of sectors or companies, see BNP Paribas [financing and investment policies](#) developed in cooperation with independent experts. On each sector, BNP Paribas takes into consideration a set of mandatory requirements, of evaluation criteria and of good industry practices when they exist.

a. The BNP Paribas Asset Management issuers' ESG¹³ screening: Regarding bonds and equities, BNP Paribas S.A. relies on the BNP Paribas Asset Management information, sources and policies specifically designed towards sustainability. Regarding the selection process of issuers, the pillars of the [Global Sustainability Strategy](#) developed by BNP Paribas Asset Management enable to deploy a classification of issuers based on various sustainability factors:

- **The ESG assessment**, based on materiality, measurability, data quality and availability, focuses on a limited set of robust ESG metrics, among these sources:
 - **External providers:** organizations specializing in ESG data and research, as well as ESG and mainstream brokers,
 - **Internal qualitative research:** insights from BNP Paribas Asset Management's ESG analysts assessing ESG performance and reviewing provider data, based on direct contacts with issuers, academics, institutions, civil society research, issuer official publications,
 - **International institutions:** Eurostat, OECD, United Nations, Worldbank, International Energy Agency, World Health Organization.

¹³ Environmental, Social and Governance

- **The Stewardship Strategy** includes proactive engagement with corporate and other issuers, and engagement with public policy makers on sustainability issues.
- **The [Responsible Business Conduct policy](#)** aims at avoiding reputational, regulatory risks; it fosters companies' compliance with fundamental rights, in the areas of human and labour rights, environment protection and anti-corruption, based on the 10 [United Nations Global Compact Principles](#).
- **The Forward-looking perspective** or the '3Es' measure the exposure to the three key issues being Energy transition, Environment and Equality.

Based on the set of BNP Paribas Group and BNP Paribas Asset Management data, BNP Paribas S.A. is in a position to:

- Exclude or select issuers (equities and bonds),
- Identify equities and bonds when possible, according to 'sustainability preferences' as defined by the MiFID delegated regulation¹⁴,
- Rate equities and bonds according to the BNP Paribas Wealth Management proprietary clover methodology

More information on the methodology is available on our [website](#).

b. Analysis of asset management companies and recommended funds and ETF¹⁵s:

BNP Paribas S.A. gathers sustainability information from asset managers, based on a proprietary due diligence questionnaire:

- **Funds:** comprehensive questions covering 6 areas, either on the management company and/ or the fund regarding ESG practices and exclusions, voting and engagement policies, transparency, sustainability of the asset management company, sustainable thematic, impact,
- **ETFs:** questions covering the 6 above mentioned areas,
- **Open-ended Alternative Investment Funds:** comprehensive questions covering the 6 above mentioned areas assessing the sustainable investment process of these funds' long book and 1 specific area to assess the sustainable investment process of their short book.

BNP Paribas S.A. looks at the percentage of available universe excluded based on ESG considerations, i.e., sector-based exclusions, norm-based exclusions, activity-based exclusions and worst ESG ratings among peers. Due diligences also identify the way ESG controversies are taken into account during the fund investment process.

BNP Paribas S.A. relies on the set of data provided by the asset manufacturers on the financial product ESG characteristics according to the European ESG template (EET format defined by Findatex), i.e.:

¹⁴ Article 2(7) MIFID Delegated Regulation 2017/565

¹⁵ Exchange-Traded Fund



- Data on taxonomy aligned investment within the financial instrument (percentage of alignment, based on the E.U. Taxonomy Regulation),
- Data on sustainable investment within the financial instrument (percentage of sustainable investment, based on the SFDR regulation), and
- Data on mandatory Principle Adverse Sustainable Indicators.

Thanks to this double level of analysis when selecting funds and ETFs, BNP Paribas S.A. is in a position to:

- Select asset managers, funds and ETFs;
- Classify, when possible, funds and ETFs according to MIFID definition of 'sustainable preferences'¹⁶ defining a classification system.

For the avoidance of doubt, BNP Paribas does not at this stage consider the principal adverse impacts on sustainability factors on derivative instruments.

The date on which the governing body of the financial market participant approved those policies: BNP Paribas Wealth Management Policy on adverse sustainability impacts has been approved end of March 2021 and updated in March 2023.

Responsibility for the implementation of those policies: The BNP Paribas Wealth Management Sustainability Office is responsible for the elaboration of the clover methodology and for the attribution of clovers scoring to financial instruments of the BNP Paribas Wealth Management recommended universe and the BNP Paribas Wealth Management discretionary portfolio management teams are responsible to activate this policy in portfolios.

Methodologies to select optional PASI: These optional PAIs 4 and 9 are linked to mandatory PAIs 1-4 and 10-11, on which BNP Paribas pay particular attention to. The selection of these PAIs, identical to those of BNP Paribas Asset Management, thus making it possible to maintain an overall consistency of the ESG scoring methodological framework.

Any associated margin of error: The share of data directly reported by issuers (average 46%) has remained too low in 2022 so that the effective negative impacts generated by investee companies could not be sufficiently well captured.

Data sources: The data provider of PAI computation is Clarity AI ([Clarity AI methodology](#)).

BNP Paribas relies on a provider recognized in the market, constantly improving the quality and coverage of its data and using artificial intelligence for an exhaustive screening of the information available on the market.

¹⁶ Article 2(7) MIFID Delegated Regulation 2017/565

Engagement policies

BNP Paribas discretionary portfolio management department within the Wealth Management Business Line has no engagement policy for direct lines : each client exercises his or her voting rights directly for shares in companies held in the portfolio.

Regarding funds from external asset managers, engagement policy is one of the assessment criteria for the clover rating.

Regarding funds managed by BNP Paribas Asset Management and selected by BNP Paribas Wealth Management, the engagement policy is as follows:

- BNP Paribas Asset Management takes a holistic view in their engagements, focusing on issues that may be financially material as well as those that present the most salient risks to society or the environment, consistent with our obligations under the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the set of international treaties and laws that underpin the UN Global Compact Principles.

BNP Paribas Asset Management is also consistent with their obligations, as fiduciaries, to do what they can to mitigate systemic risks that impact their clients and future investment opportunities, such as climate change, biodiversity loss and inequality. These systemic risks are often the focus of BNP Paribas Asset Management long-term thematic engagements. See BNP Paribas Asset Management Global Sustainability Strategy , detailing the overarching thematics, i.e. the '3Es' (Energy transition, Environmental sustainability and Equality and inclusive growth) that BNP Paribas Asset Management believes are necessary conditions for a sustainable economic system. (ce paragraphe répond aussi au 8-2.a)

- The Stewardship approach is based on the following engagement strategies: (i) engagement related to corporate governance and voting; (ii) thematic engagement, with a focus on the '3Es'; (iii) engagement linked to ESG performance. This includes provisions for escalation when engagement reveals insufficient progress. Indeed, investor-issuer dialogue is the foundation of good stewardship, allowing for trusting relationships to be built over time and permitting solution-oriented discussions. However, there are times when stronger measures are necessary to encourage a company to come to the table and discuss our concerns. In such cases where more robust action is called for, BNP Paribas Asset Management may, inter alia, make public statements, propose shareholder resolutions, call an extraordinary general meeting, or intervene jointly with other institutions. As a last resort, BNP Paribas Asset Management may divest entities that do not respond to engagement and show no sign that they will place greater emphasis on sustainability in the future.

These decisions are taken on a case-by-case basis, to ensure that BNP Paribas Asset Management concerns have been properly heard and dealt with. BNP Paribas Asset Management shareholder proposal filing strategy is approved by the Proxy Voting Committee once a year, as are specific decisions about filing each shareholder proposal.



References to international standards

BNP Paribas approach on principal adverse impacts above mentioned, relies upon a number of international standards that BNP Paribas adheres to, in particular:

- The OECD Principles for Multinational enterprises and the United Nations Global Compact which may lead to the exclusion of companies active in certain sectors. PAIs numbers 10 and 11 are considered and addressed by BNP Paribas Asset Management RBC which evaluates companies for exposure to violations of the OECD Principles for Multinational enterprises and the United Nations Global Compact, taken into account by BNP Paribas clover methodology.
- Controversial weapons conventions¹⁷ are taken into account to consider and address PAI 14.

The DPM has not yet identified a specific prospective climate scenario in its consideration of PAIs.

Historical comparison

No historical comparison is available yet since this the first year of reporting.

¹⁷ Oslo Convention on Cluster Munitions (2008) and Ottawa Treaty on Landmines (1999), Biological and Toxin Weapons Convention (1972), Chemical Weapons Convention (1993)