From traditional to impact investments

#PositiveImpact

BNP PARIBAS
WEALTH MANAGEMENT

The bank for a changing world

From traditional to impact investments

Find out how to totally transform the investment approach by integrating different levels of positive impact.

I wish to...	**Integrate** sustainable development* into my financial choices.	**Select** players with ESG best practices*	**Focus** on themes and sectors whose economic activity is linked to the UN Sustainable Development Goals*.	**Target** an intentional and positive impact in specific areas and be able to measure it
The approach	**ESG Integration**	**Responsible multi-sector**	**Sustainable Thematic**	**Impact investing**
Characteristics	• Sector-based* and/or norm-based* policies • ESG analysis • Vote & engagement*	• Stock-picking with ESG best practices • Transparency of information	• identification of one or several sustainable theme(s) • Selection of the most relevant securities and instruments	• Impact intentionality at the heart of investment strategy • Measurement available
Our investment solutions	• Equities and Bonds • Funds • Structured Products • etc.	• Equities and corporate bonds with ESG best practices • Multi-sector SRI funds • SRI structured products • etc.	• Equities and Bonds directly linked to the SDGs • SRI-themed funds • SDG funds • etc.	• Green Bonds • Private Equity and Structured Products with a positive impact • Microfinance • etc.

*Term defined in the glossary on pages 7 and 8

From traditional investments to ESG Integration

Definition

ESG integration is the first level of consideration of sustainable development in traditional management (also known as 'mainstream'). In addition to traditional financial analysis, environmental (E), social (S) and corporate governance (G) practices become a selection criterion.

At BNP Paribas Wealth Management, we do this in several ways:

1. excluding companies whose behaviour is harmful to human beings and the environment;
2. taking into account the financial risks associated with companies' poor ESG practices, without excluding them from the investment universe. This consists in analysing:
   - the direct or indirect impact of a company's business on the environment (E);
   - the impact of its business on employees, customers, suppliers and civil society (S);
   - how the company is run, administered and governed (G);
3. encouraging the improvement of companies' ESG practices through the vote of resolutions at annual general meetings and/or engagement (dialogue with companies on their ESG practices);

How does ESG Integration reflect an investor's conviction?

The investor does not wish to invest in companies that violate major international treaties (human rights, labour law, etc.) or which operate in controversial activities. He/she aims to avoid the financial and/or reputational risk associated with poor ESG practices.

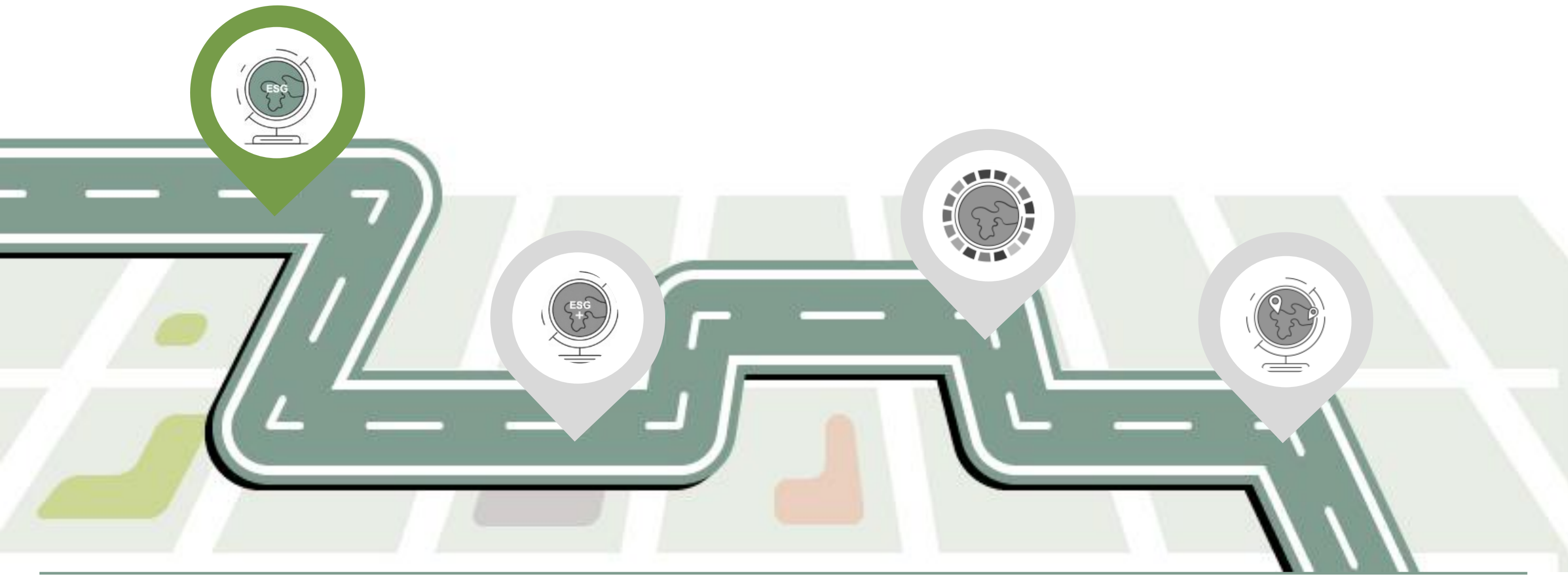
In addition, companies that have already proactively integrated ESG best practices have shown greater resilience, or even a long-term improvement, in their performance. The investor therefore sees these companies as a better investment opportunity: they are stronger over the long term and often have better valuation margins that are not visible through the traditional financial lens.

Our commitments

- All our main asset classes are analysed on the basis of (at least) ESG criteria. We are developing methodologies for alternative instruments (private equity, alternative funds);
- Certain investments will no longer be offered to our clients if the former do not comply with minimal responsibility policies;

Rating 🍀 : A system of clovers that reflects the level of sustainability for financial investment.

Products: Equities and bonds, funds, structured products, etc.



From ESG Integration to Responsible Multi-sector

Definition

The responsible multi-sector approach offers a higher level of positive impact. It selects companies, from all sectors, with ESG best practices in their respective economic sectors.

At BNP Paribas Wealth Management, a responsible multi-sector investment solution must meet the following criteria:

1. exclude companies whose behaviour is harmful to human beings and the environment;
2. select companies with ESG best practices;
3. help companies to improve their ESG practices over the long term through the vote of resolutions at annual general meetings and/or engagement (dialogue with companies on their ESG practices);

How does Responsible Multi-sector reflect an investor's conviction?

In addition to the objectives sought through ESG Integration, the investor wants to favour companies with ESG best practices in order to:

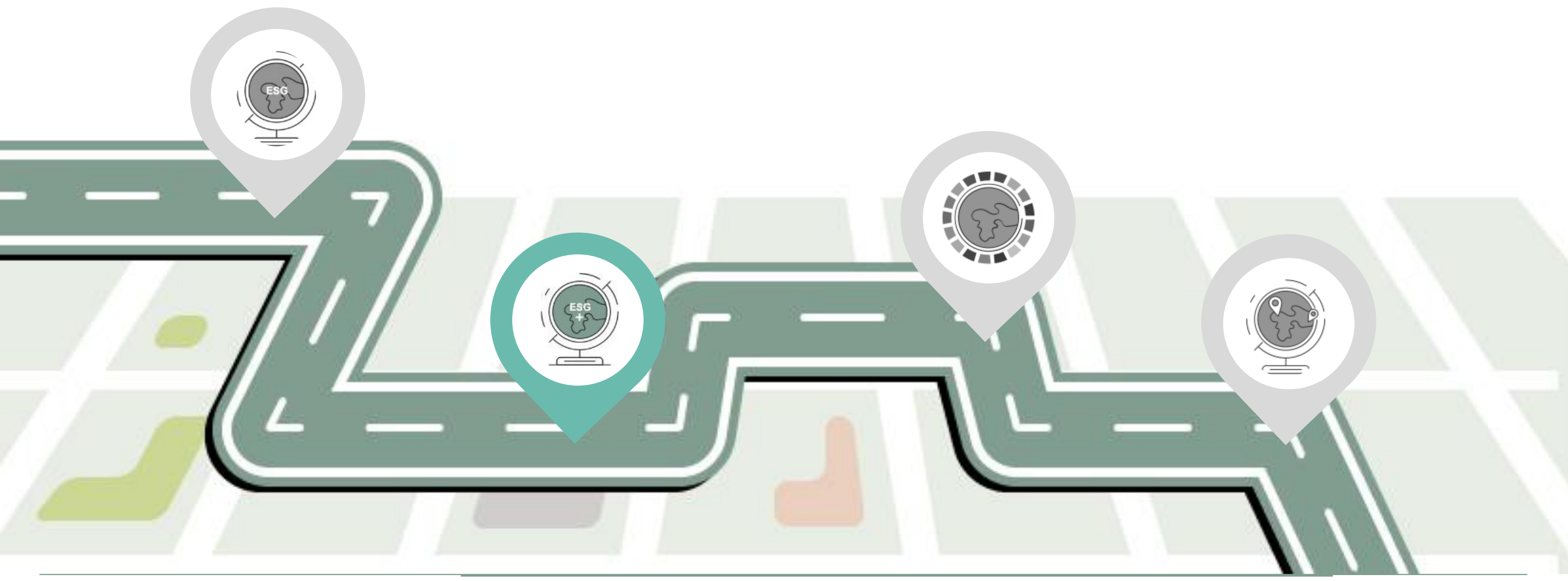
- limit the negative impacts on sustainable development;
- promote best practices within each sector of the investment universe;

Our commitments

- 100% of the portfolio is analysed according to ESG criteria for main asset classes (traditional funds, equities and bonds)
- Exclusion of controversial activities
- Exclusion of at least 10% of the reference universe based on ESG criteria

Rating : A system of clovers that reflects the level of sustainability for financial investment.

Products: Equities and corporate bonds with ESG best practices, multi-sector SRI funds, SRI structured products, etc.



From Responsible Multi-sector to Sustainable Thematic

Definition

The Sustainable thematic approach achieves a positive level of impact by focusing on themes and sectors whose economic activity is linked to the UN **Sustainable Development Goals** (SDGs).

At BNP Paribas Wealth Management, a sustainable thematic investment solution must meet the following criteria:

1. match one or more themes identified as sustainable;
2. select companies which have a minimum proportion of their revenue derived from activities related to these themes;
3. exclude companies whose behaviour is harmful to human beings and the environment;
4. help companies to improve their ESG practices over the long term through the vote of resolutions at annual general meetings and/or through engagement (dialogue with companies on their ESG practices);

How does Sustainable Thematic reflect an investor's conviction?

In addition to the objectives sought through the responsible multi-sector investment, the investor is seeking to finance sectors and companies that:

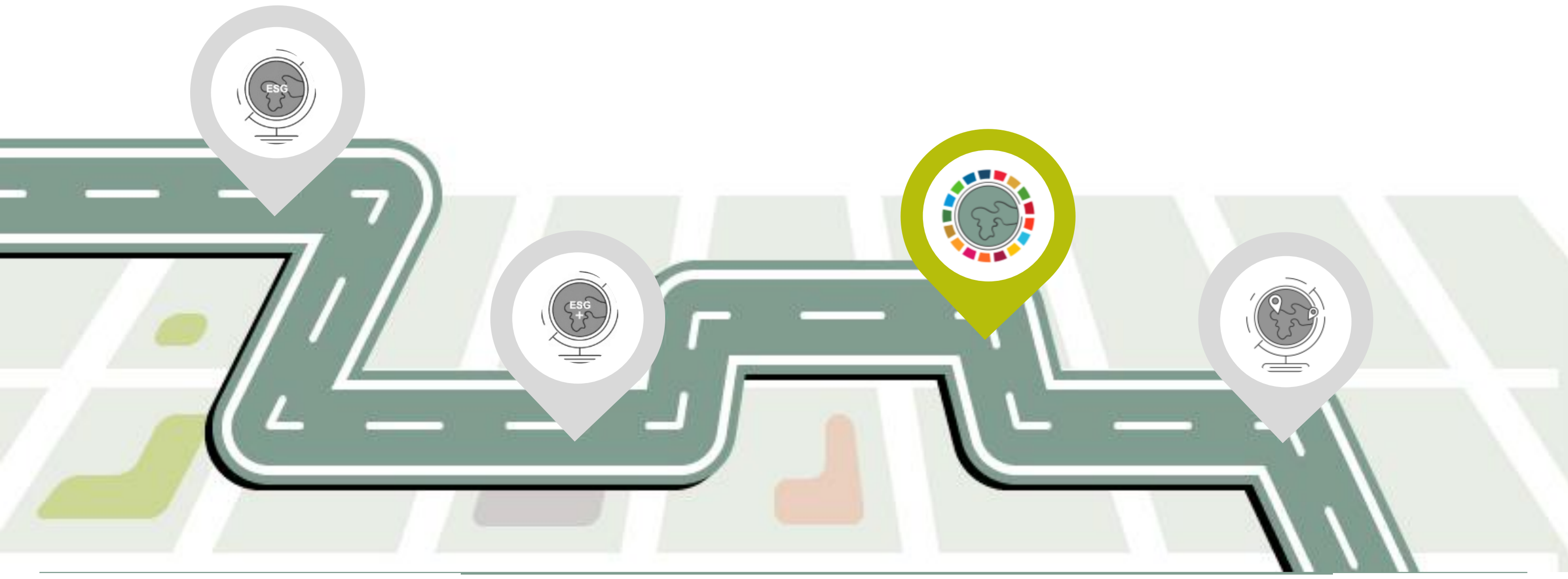
- provide concrete solutions to one or more sustainable themes;
- show strong potential for growth and financial performance;

Our commitments

- 100% of the portfolio is analysed on the basis of ESG criteria;
- Exclusion of controversial activities;
- Business activity must be linked to sustainable themes in order to meet social and/or environmental issues;

Rating ☘ : A system of clovers that reflects the level of sustainability for financial investment.

Products: Equities and bonds are directly linked to the SDGs, SRI thematic funds, SDGs funds, etc.



From Sustainable Thematic to Impact Investing

Definition

Among these approaches, **Impact investing offers the highest level of positive impact on the SDGs**. It targets economic and social actors whose core business focuses **intentionally** on resolving social and/or environmental issues. Profitability of these players must be correlated to the long-lasting effect of their sustainable development initiatives.

At BNP Paribas Wealth Management, an Impact Investing solution must meet the following criteria:

1. the impact objective must focus on issues that are identified as sustainable and meet one or more SDGs;
2. the impact must be measurable, measured and subject to reporting;

How does Impact Investing reflect an investor's conviction?

Beyond the objectives sought through sustainable thematic investing, the Impact Investor seeks the combination of a strong targeted impact and financial performance.

The notion of **intentionality** in impact differentiates this approach from the previous three.
Intentionality is defined by:

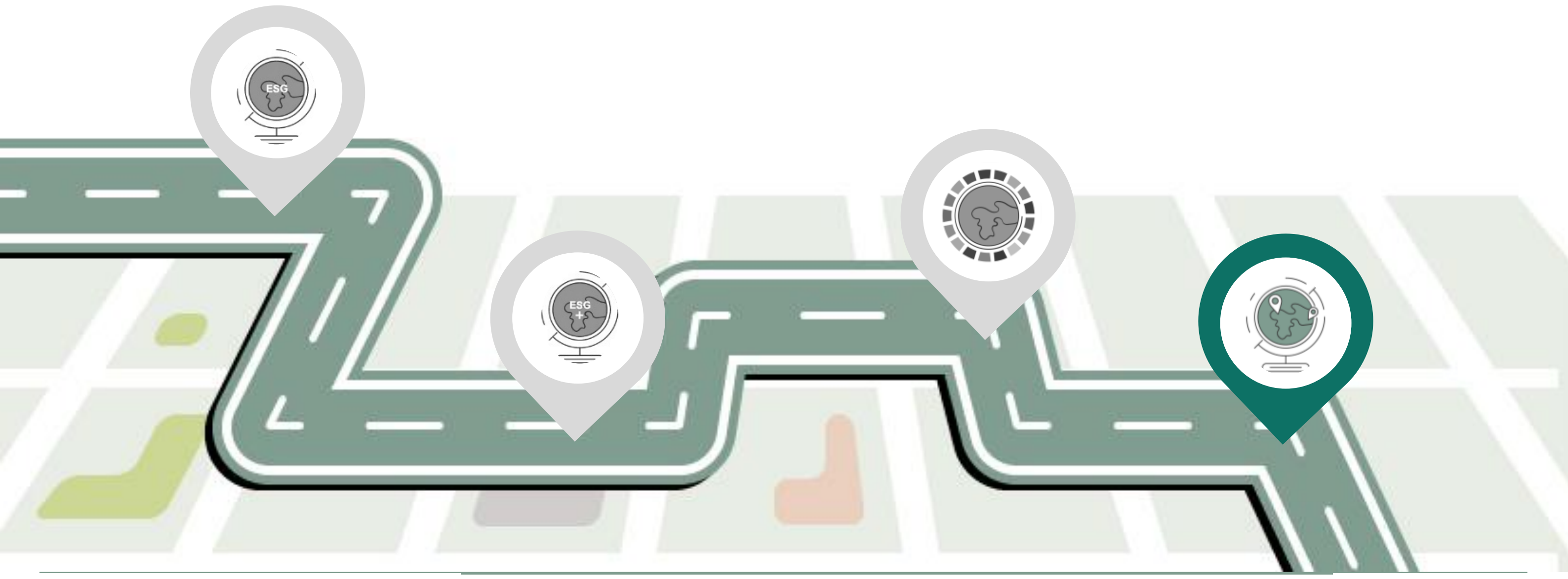
- the search for a strong, targeted and measured impact for the benefit of the investor;
- the selection, for an investment fund for example, of several companies or projects that are **specifically dedicated** to generating a positive impact;

Our commitments

- The impact objective must focus on issues that are identified as sustainable.
- The impact must be measurable, measured and subject to reporting.
- The impact measurement methodology must be transparent and assessed by the BNP Paribas Wealth Management Sustainable Investment team.

Rating : A system of clovers that reflects the level of sustainability for financial investment.

Products: Green bonds, private equity and structured products with a positive impact, microfinance, etc.



Definitions

Sustainable Development

"Sustainable development meets the needs of present generations without compromising the ability of future generations to meet their own". This definition is taken from the 'Brundtland report,' founder of the concept of sustainable development, 1987.

It is central to various initiatives and behaviours that aim to have a positive long-term impact on society. Responsible investing is part of these behaviours.

ESG

These initials are used by the financial community to refer to the Environmental, Social and Governance (ESG) criteria, which are generally the three pillars of extra-financial analysis. They are taken into account in socially responsible management.

ESG criteria can be used to assess the extent to which companies are responsible for the environment and their stakeholders (employees, partners, subcontractors and customers).

- The environmental (E) criterion takes into account waste management, the reduction of greenhouse gas emissions, the prevention of environmental risks, etc.
- The social (S) criterion takes into account the prevention of accidents, employee training, compliance with employment law, the supply chain, social dialogue, etc.
- The governance (G) criterion verifies the independence of the board of directors, the management structure, the existence of an audit committee, etc.

It is necessary in a responsible investment strategy to analyse the relationship between a company's financial performance and its environmental and social impact. For example:

A company that actively strives for the safety and well-being of its employees will thus have less risk of workplace accidents, social disputes or absenteeism that could impact its profitability.

A company involved in sustainable irrigation in a water scarce region has an offering suitable for the long term.

A company that reduces the volume of its packaging controls the environmental impact of its products, while simultaneously achieving cost savings.

Norm-based exclusions

In the context of a responsible investment, the investor may have to exclude certain types of investment from his/her portfolio because it does not comply with certain ethical or moral principles or with international standards.
In practice, **the ten principles of the United Nations Global Compact** are the standard that is often used. These principles are based, in particular, on the Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption. Other treaties include:

- The **Ottawa Convention**, which prohibits the acquisition, production, stockpiling and use of anti-personnel mines.
- The **Greenhouse Gas Protocol**, which aims to quantify the impacts generated by the production and consumption of a product.

The aim of norm-based exclusions is to succeed in influencing the practices of excluded companies so that they can once again be included in SRI portfolios.

Definitions

Sector-based exclusions

Sector exclusion is similar to norm-based exclusion, because in both cases it involves excluding, from the investment universe of an SRI fund, companies whose behaviour is harmful to human beings or the environment.
In the case of sectoral exclusion, it involves excluding companies which derive a portion (considered significant) of their revenues from activities deemed harmful to the company. These are generally ethical exclusions, with the sectors most affected being alcohol, tobacco, armaments, gambling and pornography or environmental exclusions in the case of GMOs, nuclear or fossil fuel use.
Let's take the example of unconventional fossil fuels: you can exclude from your portfolio all industry players that generate their revenue mainly in this sector (shale gas or oil, tar sands and any oil or gas resources from the Arctic).

SDGs

These initials refer to the Sustainable Development Goals of the United Nations (UN).

In 2015, the UN brought together States, NGOs, and for the first time companies, to draw up the 17 Sustainable Development Goals (SDGs). This framework for joint action makes it possible to reflect on the comprehensive resolution of social and environmental issues. The SDGs indeed address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, peace and justice. The Goals interconnect and in order to leave no one behind, it is important that we tackle each Goal.

Sustainable Themes

Investment themes that provide solutions to the social and/or environmental challenges of sustainable development. Examples of players working in sustainable themes:

- A company which has developed innovative technology that seals water leaks in pipes without recourse to large-scale work.
- A fund which invests in the shares of international companies whose activity is linked to technologies that favour energy transition.

Transparency

BNP Paribas Wealth Management measures the ease of access to, and completeness of, information about investments and the methodology of management companies. For example:

- Does the management company publicly disclose the full composition of its portfolio?
- Does it publicly disclose its extra-financial selection process (exclusions, ESG filters, voting and engagement policy, etc.)?

Voting and engagement

Engagement is an approach implemented by management companies which consists in **helping and encouraging companies in the improvement of their ESG practices over the long term**. This engagement is carried out in two complementary ways:

- **through the exercise of voting rights at annual general meetings,** with a clearly-defined voting policy on ESG issues. The voting policy thus defines the main principles for the running of companies that the management company requires, and which will determine its voting instructions at annual general meetings
- **through a long-term dialogue with companies on ESG issues** upstream of the investment and throughout the holding period of the securities.

These initiatives regularly provide management companies with the opportunity to join forces with their competitors to send a common message to the targeted companies.

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