

# DRIVING SUSTAINABILITY

EXTRA  
FINANCIAL REPORT

2020 SUSTAINABILITY REPORT



**BNP PARIBAS  
ASSET MANAGEMENT**

The sustainable  
investor for a  
changing world

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# THE SUSTAINABLE INVESTOR FOR A CHANGING WORLD



**Frédéric Janbon**

CEO, BNP Paribas Asset Management  
*Until the 30<sup>th</sup> of June 2021*



**Sandro Pierri**

CEO, BNP Paribas Asset Management  
*Since the 1<sup>st</sup> of July 2021*

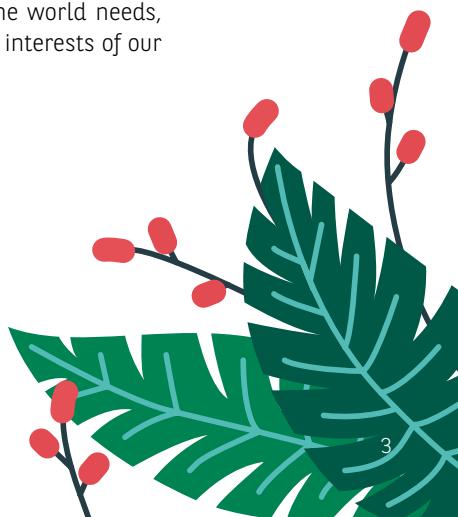
2020 will leave deep wounds in our society. We have all witnessed the high social cost of the Covid-19, especially for younger generations. Despite the difficult circumstances in both our professional and personal lives, our teams have demonstrated unwavering commitment to continue to deliver sustainable investment returns for our clients.

While an exit from the pandemic is in sight, the world will continue to feel its effects long after vaccines are administered. The instability caused by the pandemic offers an opportunity to move in a new direction. Energy transition, environmental protection and inclusive growth are essential prerequisites for a sustainable economy. By taking a systemic and long term approach to investment decisions, we will be less likely to be caught by future crises and better able to manage them.

We have long been committed to sustainable investment and have made significant progress in recent years: both in our investment processes as well as in our product offering and shareholder engagement policies' as evidenced

by the initiatives I invite you to discover in this report. I would like to mention three of them in this preamble: the development of a proprietary ESG scoring model that covers more than 12,000 issuers, the publication of ESG scores and carbon footprints of our open ended funds, and that 80% of the assets in our open ended funds are classified as either promoting ESG characteristics (Article 8) or having a sustainable investment objective (Article 9) under the new European SFDR regulation.

In order to affirm more visibly our desire to generate sustainable returns for our clients over the long term and to help finance an economic growth model adapted to the world of tomorrow we have changed our corporate strapline. BNP Paribas Asset Management teams are now "the sustainable investor for a changing world." Aware of our responsibility, we are now more than ever determined to act every day, wherever we operate, in favour of the sustainable economy the world needs, and in doing so, to protect the interests of our clients.



# BNP PARIBAS ASSET MANAGEMENT AT A GLANCE

BNP Paribas Asset Management ("BNPP AM") is the investment arm of BNP Paribas, a leading banking group in Europe with international reach. BNPP AM aims to generate long-term sustainable investment returns for its clients, based on a unique sustainability-driven philosophy. BNPP AM's investment capabilities are focused around five key strategies: High Conviction Strategies, Private Debt & Real Assets, Multi-Asset, Quantitative & Solutions (MAQS), Emerging

markets and Liquidity Solutions, with investment processes incorporating quantitative and fundamental analysis.

Sustainability is embedded within BNPP AM's strategy and investment decision-making. Among the leaders in thematic investment in Europe, BNPP AM contributes to the energy transition, environmental sustainability and the promotion of equality and inclusive growth.

## KEY FIGURES

BREADTH  
OF CLIENTS,  
PRODUCTS  
AND SOLUTIONS

**€483bn**  
in assets under  
management

**500**  
investment  
professionals

**40+**  
investment  
teams

**37\***  
countries

\*Joint Ventures included

# About our Global Sustainability Strategy

**Jane Ambachtsheer**  
Global Head of Sustainability



The year 2020 posed significant challenges for many people around the world. Covid-19 dominated discussions and changed realities, with concerns about health – and heightened inequality – taking centre stage. We integrated Covid-19 considerations into how we assess companies and our stewardship activities, while maintaining a strong focus on our strategic “3Es”: energy transition, environmental sustainability, and equality and inclusive growth.

Among the highlights that I am particularly proud of this year are that we:

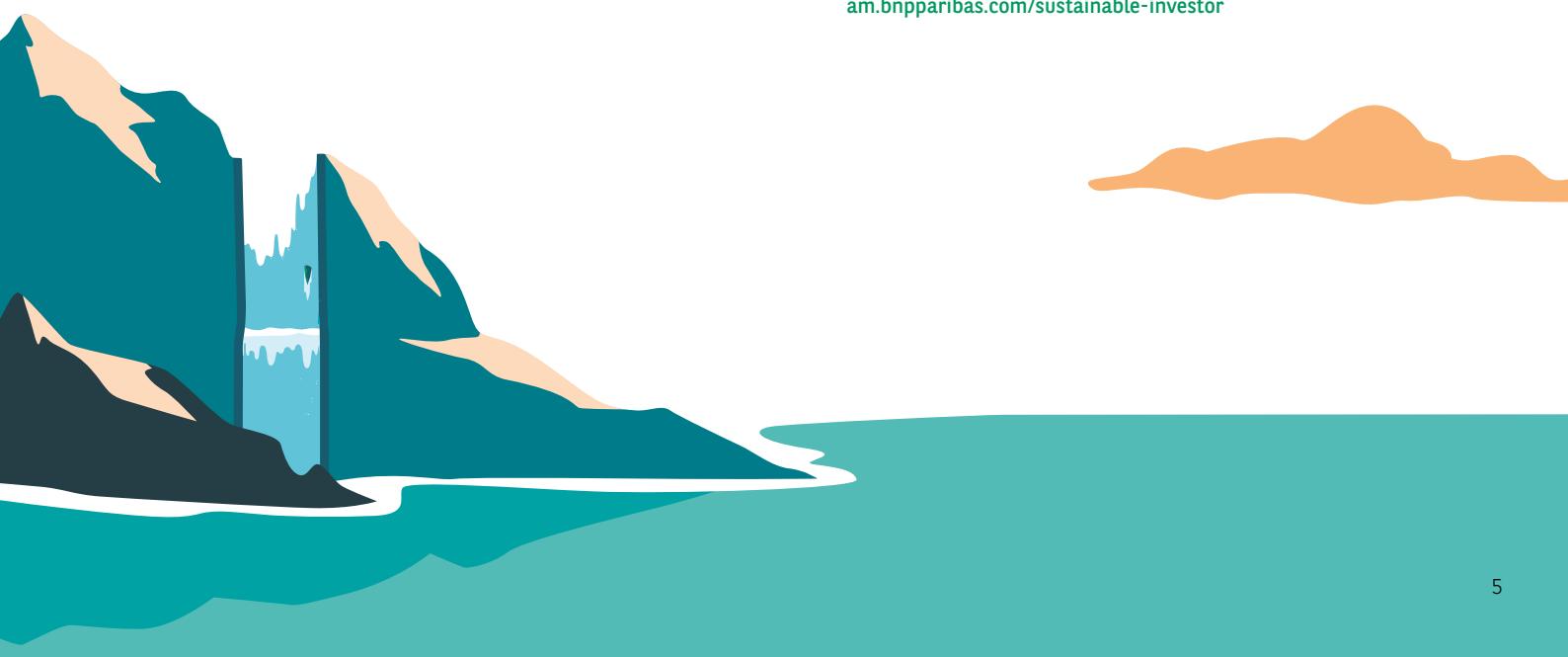
- used our vote to oppose 32% of management resolutions overall (including 451 resolutions at 66 companies due to environmental or social reasons), supported 94% of shareholders’ resolutions on climate change and filed four resolutions on climate lobbying, including one at Chevron that received majority backing,
- continued to tighten the exclusion threshold of our coal policy to align with the IEA’s Sustainable Development Scenario; as a result, we now exclude over 1,000 power generation and/or mining companies involved in coal,
- revamped our proprietary ESG scoring methodology, choosing metrics that are not only material to the business of the companies, but are measurable, give real insight, have sufficient quality and coverage, and focus on performance over policy,
- launched our Energy Transition strategy – which was so successful that we soft-closed it when it reached €1.5 billion in AUM (I’m pleased to say that we have recently reopened it),
- began using BNP Paribas 3stepIT to repurpose our old IT equipment and give it a second life; BNP Paribas 3stepIT repurposes 97% of the equipment it processes, with the remainder sent to ISO 14001 facilities for recycling.

In 2018, we launched our sustainable transformation program to put sustainability at the heart of what we do. That program is now complete and its 15 workstreams have been retired. This report presents the fruit of our labours and aims to bring our approach to life through sharing concrete examples and insights from colleagues.

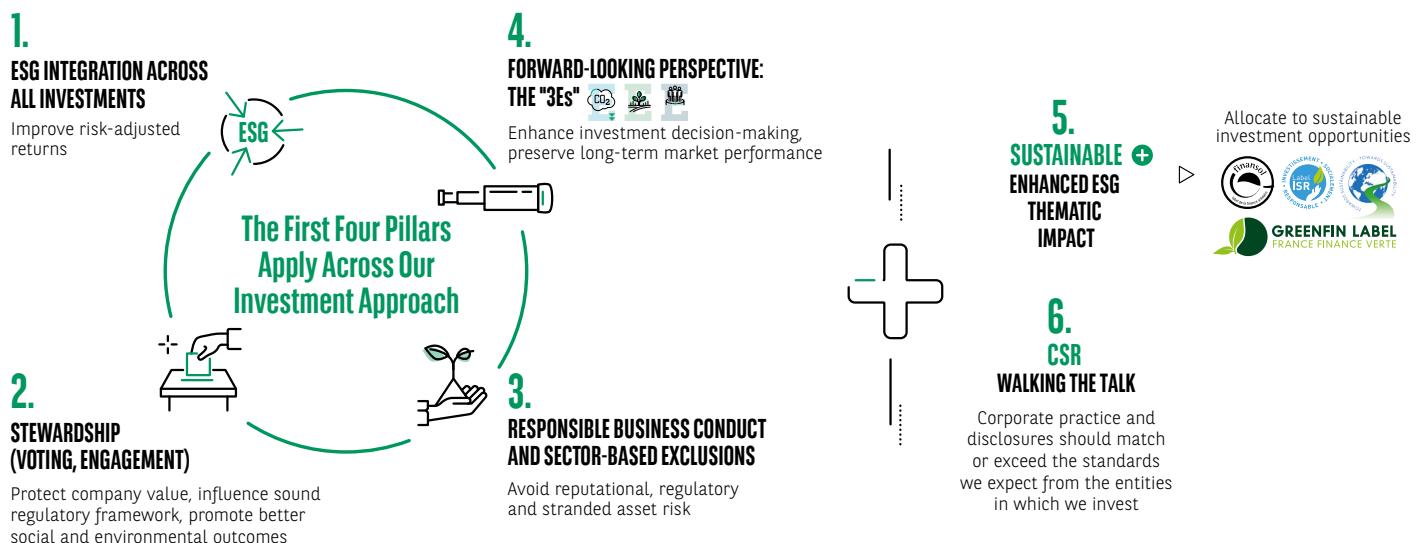
I hope you enjoy reading it as much as we enjoyed undertaking the work.

→ DISCOVER HOW JANE DRIVES SUSTAINABILITY

[am.bnpparibas.com/sustainable-investor](http://am.bnpparibas.com/sustainable-investor)



## THE 6 PILLARS OF OUR SUSTAINABLE INVESTOR APPROACH





## 29 RESPONSIBLE INVESTOR AWARDS WON IN 2020 INCLUDING

- Best ESG Manager in Asia
- Best Impact Investing Manager
- Best Application of ESG
- Best ESG Manager
- > **Asia Asset Management – Best of the Best Awards / APAC**
- Marquee Award – Best ESG Adviser
- > **AsianInvestor – Asset Management Awards / APAC**
- ESG Strategy of the Year
- > **InsuranceAsia News – Institutional Asset Management Awards / APAC**
- Best ESG Investors 2020
- > **Edbiz International Advisors – Pan Europe Islamic Finance Awards / APAC**
- ESG Asset Management Company of the Year, Asia
- > **The Asset – Triple A Sustainable Investing Award for Institutional Investor, ETF, and Asset Servicing Provider / APAC**
- Best Corporate Sustainability Strategy
- > **ESG Investing Awards / pan-Europe**
- Investment Leader of the Year: Jane Ambachtseer
- Thought Leadership paper on Sustainable Investing - EROCI and the tough road ahead for oil
- Infrastructure Fund of the Year
- > **Environmental Finance – Sustainable Investment Awards / pan-Europe**
- ESG initiative of the Year
- > **Money Age – The Asset Management Awards / pan-Europe**
- European Thought Leadership of the Year – EROCI and the tough road ahead for oil
- > **Funds Europe Awards / pan-Europe**
- Best Sustainable & ESG ETF
- > **Investment Week Sustainable & ESG Awards / pan-Europe**
- ESG / SRI Provider of the Year
- > **European Pensions Awards / pan-Europe**

# 1 ESG Integration

At the core of our investment processes, analysts and portfolio managers integrate a consideration of relevant ESG factors into their company, asset and sovereign evaluations and investment decisions. This allows them to identify and assess areas of risk or opportunity which may not be understood by all market participants, providing them with a relative advantage.





66

In 2020, we evolved our proprietary ESG scoring framework, which covers more than 12,000 issuers, to focus on a limited number of material, insightful metrics for each sector. It is statistically rigorous, dynamic and forward-looking and thanks to these features, we believe our scores are a powerful tool to help investment teams generate long-term sustainable investment returns for investors.”

**Hans Moussavou**  
ESG Quant Lead

## INTRODUCING NEW ESG AND CARBON FOOTPRINT REPORTING

**12K**  
companies  
covered by our  
ESG scoring  
methodology

BNP Paribas Asset Management introduced new performance metrics for sustainability to boost the transparency of our reporting to clients. One metric covers how well an investment portfolio does against its benchmark on environmental, social and governance (ESG) issues based on our **proprietary ESG scoring framework**. The other metric, **carbon footprint reporting**, covers scope 1 and 2 emissions<sup>1</sup>. Both metrics are easily accessible for clients and others in our fund factsheets.

“Today, clients are very aware of sustainability issues – especially climate change – and they’re willing to integrate these issues into their investment decisions. And many clients no longer just want mainstream, best-in-class funds: they want innovative, ambitious ESG strategies tailored to their individual needs. Examples include portfolios designed to help meet the Paris Agreement goals on climate. At BNP Paribas Asset Management, we’re well placed to help them.”

**Martina Jung**  
SRI portfolio manager  
in BNP Paribas Asset Management’s European Equities team

## GETTING READY FOR THE SFDR

In 2020, we began to prepare for the **introduction of the EU's Sustainable Finance Disclosure Regulation (SFDR)**. The regulation’s objective is to channel private investment towards sustainable investing while preventing greenwashing by requiring asset managers to disclose how they manage sustainability risks and adverse impacts, both at the firm and asset level. Our **disclosure statement** details how we do this and we are happy to report that over 80% of assets in our open ended funds are classified as either promoting ESG characteristics (Article 8) or having a sustainable investment objective (Article 9), the highest level you can achieve under the new regulation.



→ DISCOVER HOW MARTINA DRIVES SUSTAINABILITY

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<sup>1</sup>. Emissions are broken down into three categories (or scopes) that may vary in proportion depending on the company’s line of business.  
Scope 1: Direct emissions from sources that are owned or controlled by the company.  
Scope 2: Indirect emissions linked to the company’s purchased or acquired electricity, heat, steam and cooling.  
Scope 3: All other indirect emissions, including those related to the use of its products.

## ESG CHAMPIONS

In 2020, we launched a network of ESG Champions in our Global Client Group to complement the network of ESG Champions within our Investments team. ESG Champions meet monthly, are subject matter experts within their investment or sales teams, take specialised education and have individual performance objectives related to these responsibilities. As of the end of 2020, we had over 130 ESG Champions across the organisation.

## BNP PARIBAS ASSET MANAGEMENT RANKED SECOND FOR RESPONSIBLE INVESTMENT STRATEGY, IN SHAREACTION'S REPORT

The report ranks 75 managers in 17 countries according to their investment approaches across four themes: governance, climate change, biodiversity and human rights. Some key accomplishments include rising to second place in 2020, a spectacular leap from 20<sup>th</sup> in 2017. We are one of only five asset managers to achieve an "A" rating, and we are the only asset manager to have scored more than 75% for governance and biodiversity categories, a testament to the effectiveness of our strengthened policies in these areas.

## BNP PARIBAS CAPITAL PARTNERS HAS SIGNED THE PRINCIPLES FOR RESPONSIBLE INVESTMENT

Our specialist in external alternative manager selection has always embraced BNPP AM's involvement in sustainability and was already integrating ESG criteria into its investment process. Becoming a signatory allows **BNP Paribas Capital Partners** to align with recognised standards, providing transparency in line with its clients' requirements, and paves the way for the launch of responsible investment products. It will also enhance its investment approach, with the aim of delivering better outcomes for clients and contributing positively towards a more sustainable economy.



## KEY FIGURES

AUM with ESG integration

bn€ **331.2**

**130+**

Champions within our Investment and Global Client Group teams

**97%**

of our portfolios outperform their ESG benchmark<sup>2</sup>

**97%**

outperform their carbon footprint benchmark<sup>3</sup>

2. This KPI represents €162 billion of our assets under management. It excludes certain parts of our assets under management where this measurement is less relevant or not meaningful, such as passive investments.

3. This KPI represents €76 billion of our assets under management. It excludes certain parts of our assets under management where this measurement is less relevant or not meaningful, such as passive investments.



## INVESTING IN OUR PEOPLE

We have invested significantly in ensuring our investment staff and other key employees have the most current knowledge on sustainability issues and sustainable investment:

- 68 of our employees have passed a sustainable finance certification programme such as the CFA Certificate in ESG Investing.
- we continued to roll out our series of online training videos available to all staff on sustainable investment. The videos, or micro nuggets, range from six to ten minutes in length so they can be watched easily and so far, our employees have completed over 1,750 hours of this training,
- six employees of our have completed an internal certification programme BNP Paribas developed with the University of Cambridge's Institute for Sustainable Leadership. The CISL Positive Impact Business Certified Training is a nine-day course (mostly online in 2020), delivered over a six-month period, tailored to sustainability and finance. On completion, graduates become Positive Impact Pioneers, a community of internal sustainability experts who work across the Group, and as part of their course work, develop projects that drive positive impact within the organisation,
- we held a number of internal sessions for employees on a wide range of topics including the circular economy, climate change, impact investing and other related topics.

### GRASFI

The **Global Research Alliance for Sustainable Finance and Investment (GRASFI)** is a global network of 26 leading universities established in 2017 to promote rigorous academic research in finance and responsible investment. We have been the asset management sponsor of the GRASFI annual academic conference since 2018 and through this, we are able to access leading academic research into sustainable finance and investment which can be used by our investment teams and shared with our clients and the broader investment industry.

Each year, prizes are awarded for the best papers in a range of categories. The overall winning paper at this year's conference, **Aggregate Confusion: The Divergence of ESG Ratings**, examined six rating agencies to better understand the differences between the processes and ratings of each, including the factors included in each agency's assessment, how the factors are measured, and their weightings within the overall ESG score. The authors found that the way in which each factor was measured was the main driver of the differences between the agencies' rating processes. In other words, even if two or more agencies agree on the factors to be measured, the way in which they are measured can lead to different ratings.



**This is the most exhaustive paper about why ESG ratings may diverge that I have come across so far and one that raises the right questions about these differences. In my view, this paper is a must read for all investment practitioners."**

#### Raul Leote de Carvalho

Deputy Head of the Quantitative Research Group



# 2 Stewardship

STEWARDSHIP REPORT



## OUR STEWARDSHIP ACTIVITIES IN 2020 WERE MARKED BY FOUR NASCENT TRENDS THAT ARE HERE TO STAY:

- the emergence of environmental and social engagement with sovereign bond issuers,
- the rising concern over biodiversity loss,
- engagement on Environmental, Social and Governance (ESG) topics by our portfolio managers with the companies they hold in their portfolios that exhibit the lowest ESG scores, which is part of our new integration guidelines,
- heightened attention on CA100+ engagements including our special focus on tackling climate-related lobbying.

Until recently, our exchanges with official government representatives as bond holders were limited to the issuance of green bonds. While still a new practice for us, we have started to ramp up our dialogue with governments about ESG issues in relation to the issuance of sovereign debt. These discussions focus on national transition pathways to meet commitments to the Paris Agreement.

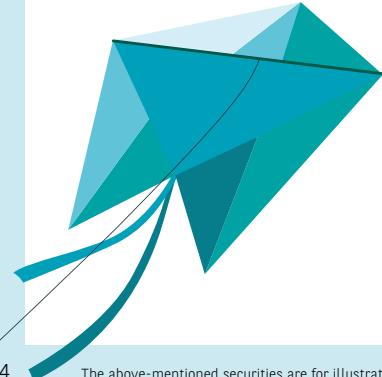
On a different note, 2020 saw the consolidation of policy engagement on sustainable finance, with the introduction of a flurry of sustainable finance policies since March 2018 in Europe and elsewhere.

As policymakers set the foundations for regulating the sustainable finance market around the world, investors have been ramping up their engagements on public policy. BNP Paribas Asset Management has been an active contributor and leading voice in this area within the EU and abroad for several years.

While biodiversity is not new to us, we are now approaching it more holistically. Our dialogue with companies reflects the inter-causality between deforestation and climate change, for example, or between water usage and soil degradation and global biodiversity loss. During the course of 2020, we engaged with 38 companies on biodiversity issues ranging from regenerative agriculture and the use of pesticides to the preservation of the Arctic National Wildlife Refuge. The sectors covered include financials, chemicals, utilities, mining, paper & forestry, and food & beverage companies.

As of 2020, all our investment strategies have adopted a sustainable investment approach. This means that they integrate the key pillars of sustainable investment<sup>1</sup> defined in our [Global Sustainability Strategy \(GSS\)](#), a critical component of which is ESG integration. Our [ESG integration guidelines](#) dictate that portfolio managers ought to avoid investing in a weakly rated entity (in active portfolios) without actively engaging to improve that company's ESG rating. As a result, this year we have seen the beginning of many dialogues between portfolio managers and companies centred on improving companies' weakest areas of social, environmental or governance performance.

Finally, 2020 saw continued focus on our Climate Action 100+ engagements. We were pleased to welcome progress by many companies, as discussed later in this section.



## RECOGNISED FOR OUR STEWARDSHIP ACTIVITY

In 2020, [Influence Map launched a report analysing financial sector lobbying on EU Sustainable Finance Policy](#), and identifies BNP Paribas Asset Management as one of three firms that stand out as being actively engaged in promoting progressive sustainable finance policy. The report noted BNPP AM's calls for reform to achieve a sustainable financial system and to limit global warming to 1.5°C, as well as its consistent support for the aims of the EU's Sustainable Finance Action Plan since 2018.



### WELCOME TO MICHAEL, THANK YOU TO HELENA



**Michael Herskovich has been appointed Global Head of Stewardship of BNP Paribas Asset Management.** Michael has been Global Head of Corporate Governance since 2009 and is a long-standing expert in the field of stewardship. He played a critical role in building our renowned stewardship programme as well as made a significant contribution to the development of our more recent ESG scoring framework. He works closely with portfolio managers in the context of proxy voting and engagement and this collaboration will become even closer as we strengthen the ties between investment teams and our stewardship activities.

His wider industry involvement includes being a board member of the International Corporate Governance Network (ICGN), and Chair of the Corporate Governance Committee at the French Association of Asset Managers (AFG), as well as the Chair of the International Corporate Governance Committee at the Council of Institutional Investors (CII).

Michael replaces Helena Viñes Fiestas, who left BNPP AM after 10 years to take up a new role as a board member of the Comisión Nacional del Mercado de Valores (CNMV), the Spanish securities market regulator. We are very grateful to Helena for the major contribution she has made

to responsible investment and sustainable finance at BNPP AM. As Deputy Head of Sustainability and Global Head of Stewardship & Policy, Helena played a critical role in the development of BNPP AM's 2019 Global Sustainability Strategy, and led our impressive Sustainability research team for many years before that, including overseeing the launch of our first climate change strategy ahead of COP21. Helena represented BNPP Group on the EU Platform on Sustainable Finance, and continues in her role as rapporteur for one of the working groups.

# ENERGY TRANSITION

## CLIMATE ACTION 100+

An important element of our stewardship strategy to address climate change is our active membership in the Climate Action 100+ initiative (CA100+), a collective effort to engage the world's largest corporate greenhouse gas emitters. 2020 saw the creation of the CA100+ Net Zero Company Benchmark. The Benchmark, to which we have contributed, defines key indicators to assess business alignment with a net zero future and the goal of the Paris Agreement to limit global temperature rise to 1.5°C above pre-industrial levels. It is the first benchmark that addresses four key areas for BNPP AM and other European investors: green revenues (the EU Taxonomy for European companies), capital alignment (a second step will be the use of the EU Taxonomy as the reference given that European companies will have to report their capex alignment annually), corporate climate lobbying and Just Transition.

Most of our current engagements are focused on this newly released benchmark and on corporate climate lobbying practices.

Our Global Sustainability Strategy makes clear our objective "to make a substantive contribution to the low-carbon energy transition" and states that one of the ways we will achieve this is by encouraging our investee companies "to align their strategies with the goals of the Paris Agreement". This includes our long-term commitment to constructive stewardship of our clients' assets through proxy voting, corporate engagement and public policy advocacy.

### Americas

In the United States, we were honoured to accept an invitation to co-lead the CA100+ engagement with Exxon Mobil, alongside CalPERS. We are also active participants as supporting investors in CA100+ dialogues with three electric utilities, Southern Company, Duke and Dominion, and joined the teams engaging Chevron and Delta Airlines.

All three utilities have now announced net-zero by 2050 commitments, with announcements by Duke in 2019 and Southern and Dominion in 2020. Our dialogue with Southern Company continues to be particularly productive, including a call with the company's CEO, where we led a discussion about the adequacy of the climate-related metrics in the CEO's own long-term compensation plan.

### Europe

Throughout 2020, we led or co-led engagements with Danone, Iberdrola, Naturgy, Peugeot, Repsol, Saint-Gobain and Total as part of the CA100+ initiative. We also played a key role in CA100+'s engagements with Renault and Air France.

Our exchanges with Total intensified in 2020, with its Chair and CEO responding personally to CA100+'s call for greater ambition. The long-lasting and fertile dialogue resulted in a joint statement published in May in which Total made three major announcements. First, it committed to net zero emissions across its worldwide operations by 2050 or sooner (Scope 1 and 2 emissions) as well as reaching carbon neutrality in Europe for its Scope 3 emissions and intermediate steps elsewhere. Secondly, the company increased the proportion of its future capital investments dedicated to low-carbon electricity to 20% by 2030 or sooner, and committed to systematically apply a sensitivity test of 100 USD/t of CO<sub>2</sub>e when allocating its capital expenditure budget. Lastly, Total will publicly update shareholders on the progress made on an annual basis and will review its climate targets and strategy at least every five years.

## THE DECARBONISATION OF TRANSPORTATION IS CRITICAL TO ACHIEVING CARBON NEUTRALITY.

While the start of our dialogue with Total dates back some years, 2020 was the start of a fruitful exchange with the two Spanish companies, Naturgy and Iberdrola. Our goal was to encourage the companies to outperform against the CA100+ Net Zero Company Benchmark.

Despite having just started the dialogue, Iberdrola responded positively and openly, demonstrating its leadership in the sector. It has committed to be net zero by 2030 within Europe (scope 1 and 2 emissions) and globally by 2050 at the latest. They also have an ambition to reach net zero for scope 3 emissions by 2050 or sooner. Their scope 1 and 2 targets are certified by the Science Based Target Initiative (SBTi) and regarding their scope 3 targets, they are waiting for new guidelines from the SBTi, which are not yet finalised with regards to abatement (e.g. compensation levels allowed, etc.). In December 2020, Iberdrola raised their ambition by committing to lower their emissions intensity to 50g CO<sub>2</sub>e/kWh by 2030, which is half the power generation threshold within the EU Taxonomy at the time of writing.

Their scope 1, 2 and 3 emission reduction target is 43% by 2030, from a 2017 baseline, which is in line with a 1.5°C trajectory.

Iberdrola is one of the first European companies to publicly integrate the EU Taxonomy into its strategy and establish a target against it. From 2020 to 2025 Iberdrola will allocate 75 to 81%<sup>4</sup> of their total investment Plan (€75 billion) to investments aligned with the EU Taxonomy.

At the end of 2020, Saint-Gobain published their transition strategy for achieving carbon neutrality by 2050. As part of their strategy, the company set new 2030 targets for scope 1 and 2 emissions (33% reduction) and scope 3 emissions (16% absolute emissions reduction versus 2017 levels), which were validated by the SBTi. In addition, Saint-Gobain committed €100 million per year from now until 2030 to R&D and capital expenditure geared towards supporting their transition efforts.

### Transportation sector

The decarbonisation of transportation is critical to achieving carbon neutrality. Transportation is responsible for roughly a quarter of the world's energy consumption. BNPP AM leads the dialogue with Peugeot on behalf of the CA100+ coalition, and works hand-in-hand with lead investors in the coalition's exchanges with Renault and Air France.

We have enjoyed a very fluid dialogue with Peugeot, meaning the company has always responded with open willingness to improve. The company had their CO<sub>2</sub> targets certified by the SBTi (scope 1 and 2) and established scope 3 targets. The de facto merger of Peugeot with FCA into a new company to be named Stellantis interrupted the conversations aimed at ensuring a firm commitment to carbon neutrality by 2050 and the integration of the EU Taxonomy as a key variable within their transition strategy. Both points will be reintroduced in our dialogue with the new company on the recently released CA100+ benchmark, alongside a discussion about the future company's public policy positions and strategy with regard to climate change.

<sup>4</sup>. Note from Iberdrola: the 75% allocation could potentially increase up to 81% if two more US states, which will be on the trajectory towards decarbonisation by 2025, are included. Ref. [https://www.iberdrola.com/wcorp/gc/prod/en\\_US/inversores/docs/Outlook\\_2020\\_2025\\_Financial\\_Management\\_3.pdf](https://www.iberdrola.com/wcorp/gc/prod/en_US/inversores/docs/Outlook_2020_2025_Financial_Management_3.pdf)

## ENCOURAGING OUR INVESTEE COMPANIES “TO ALIGN THEIR STRATEGIES WITH THE GOALS OF THE PARIS AGREEMENT.”

Over the last two years, we have been engaging with Air France and Renault as a collaborative investor. Our engagement with Renault reached a milestone this year when the company committed to achieving net zero by 2050 within their European operations, which represent 68% of their 2020 revenues. Renault has also committed to reducing emissions by 50% compared to 2010 within the next 10 years. Air France has made advancements in three areas as well. The company is working towards the submission of targets for SBTi certification and the publication of their first Task Force on Climate-related Financial Disclosures (TCFD) report, which will include their strategy on achieving carbon neutrality, and the rising use of biofuel within their operations. Because of the Covid crisis and the paramount impact it has had on airlines, the dialogue has been put on hold.

During 2020, we continued the productive dialogue with Danone. Danone has had a climate strategy for a number of years and they achieved their scope 1, 2 and 3 emissions targets in 2019, five years ahead of schedule. In their efforts to embed climate considerations across the company's business, Danone went a step further by disclosing the cost of carbon emissions to earnings with a so-called “carbon-adjusted” EPS (earnings per share).

We also recognise their endeavours to align their business with a 1.5°C pathway. Discussions have centred on the full understanding of their value chain (upstream and downstream), their strategy to achieve net zero (including carbon soil sequestration and carbon credits), and the underlying methodologies to do this. Lastly, Danone included for the first time a scenario analysis in their [2020 Universal Registration Document](#), which is considered best practice according to the TCFD recommendations.

### Asia-Pacific region

In the Asia-Pacific region, we have been leading the coalition’s engagement with PTT Public Company and supporting lead investors in their engagement with CNOOC and Anhui Conch. This year we took the lead on two other companies: Sinopec and Power Asset Holdings. After its launch, we introduced the [CA100+ Net Zero Company Benchmark](#) to the three companies we lead or co-lead on with PTT, Sinopec and Power Asset Holdings. The dialogue with Chinese oil and gas companies Sinopec and CNOOC proved encouraging in 2020, not least because of China’s pledge to achieve carbon neutrality by 2060. Both companies are working on defining their transition strategies to carbon neutrality. We look forward to continued engagement with these companies as they progress from broad carbon neutrality pledges to concrete climate transition plans.

## CORPORATE CLIMATE LOBBYING

Corporate lobbying activities that are inconsistent with the goals of the Paris Agreement present significant risks to investors and systemic risks to our economies, as delays in the implementation of the Paris Agreement increase the physical risks of climate change, threaten economic stability and introduce uncertainty and volatility into our portfolios. Of particular concern are the trade associations and other politically active organisations that speak for business but, unfortunately, too often stand in the way of progress. We believe that Paris-aligned climate lobbying helps to mitigate these risks, and contributes positively to the long-term value of our investment portfolios.

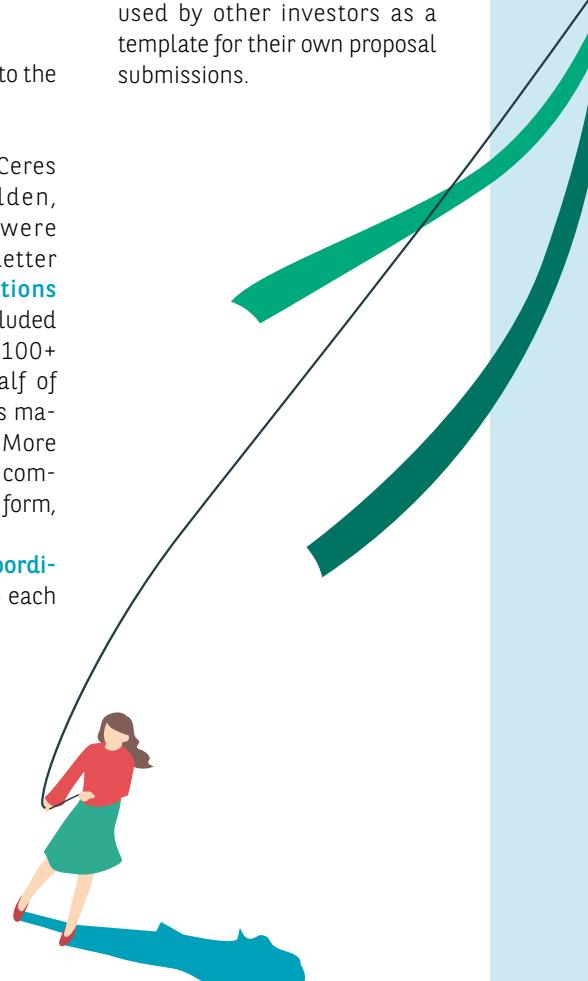
In 2018, with IIGCC, Church of England and AP7, we launched a set of **European Investor Expectations on Corporate Climate Lobbying**, which served as the basis for engagements by us and other investors with the 57 largest corporate greenhouse gas emitters in Europe (included in the Climate Action 100+). The **Expectations** ask companies to commit to lobbying in favour of the Paris Agreement's goals, to evaluate the alignment of direct and indirect lobbying against these goals, to take steps to address misalignments, and

to be transparent about these efforts. Investors have reached agreement with 20 large European companies to align their lobbying activities with the Paris Agreement, including commitments to publish reports on Paris alignment. Several of these companies, including BP, Shell, Equinor, Eni and Total have subsequently left certain US trade associations where they identified irreconcilable differences on climate policy.

We then brought this effort to the United States:

- in 2019, working with Ceres and Boston Trust Walden, we helped draft and were a lead signatory on a letter presenting the **Expectations** to the US companies included in the Climate Action 100+ (47 companies) on behalf of 200 institutional investors managing USD 6.5 trillion. More than half of the targeted companies responded in some form,
- in 2020, **we helped to coordinate a follow-up letter** to each of these companies,

- we drafted and submitted a new shareholder proposal to Chevron focused on Paris-aligned climate lobbying, which achieved a historic majority vote,
- we are helping to coordinate investor engagements on this topic through Ceres and the Interfaith Center on Corporate Responsibility (ICCR). Our shareholder proposal is being used by other investors as a template for their own proposal submissions.



In 2020, we served as lead filer of a new shareholder proposal seeking a climate lobbying report from Exxon Mobil, Chevron, Delta Airlines and United Airlines. Our proposal received a majority vote of 53.5% at Chevron's annual meeting – **the first time a climate-related proposal had ever received majority support at Chevron** – a 46% vote at Delta Airlines' annual meeting and 31.5% at United Airlines. Our proposals were flagged for support by the CA100+ initiative and by CalPERS. We view these vote results as strong evidence that investors value the information we are seeking, particularly considering that this was a brand new proposal investors had not seen before.

Our proposal highlights the gap in national ambitions to fulfil the Paris Agreement, noting that “critical gaps remain between the commitments of national governments and the actions required to prevent the worst effects of climate change. Companies have an important and constructive role to play in enabling policy-makers to close these gaps.”

Unlike the lobbying proposals investors have considered for a decade, seeking board oversight and full disclosure of lobbying

expenditures, our proposal makes a new request. The content of corporate lobbying on climate change – particularly the indirect lobbying through trade associations and other organisations that engage in public policy advocacy – is generally unavailable to investors. The proposal seeks an evaluation of each company's lobbying efforts measured against the temperature target set by the Paris Agreement, led by the only primarily independent body with access to the inside information necessary for a thorough review, the Board of Directors.

Although many companies maintain internal processes to ensure that their lobbying activities are aligned with the long-term interests of the business, our proposal asks companies to use a third-party benchmark – the “well below two degrees” goal of the Paris Agreement – as their “North Star” when engaging in lobbying on climate change related policy.

At the end of the year, Chevron published a twelve-page **Climate Lobbying Report** in response to the historic majority vote on our proposal. The report states that Chevron aims to “use our capabilities, assets, and expertise to deliver progress toward the

global net zero ambitions of the Paris Agreement.” Chevron’s report provides specific highlights of its recent engagements with four U.S. trade associations on climate policy, explaining that it helped create a Carbon Steering Committee at one organisation and helped to shift that group’s historic opposition to carbon pricing to evaluating proposals on a case-by-case basis. The report also provides details on climate-related work undertaken by 18 US trade associations and, although these descriptions focus exclusively on positive efforts, they are evidence of a special review undertaken in response to our proposal. The report also notes that the company considers climate lobbying in their evaluation of their trade association memberships.

Although Chevron’s report does not meet the standard of some of the European oil majors, and does not address every element of our proposal, Chevron is open to our feedback and interested in improving their lobbying disclosures. Our very constructive dialogue with the company will continue.



Early in 2020, Exxon was granted permission by the Securities and Exchange Commission to omit our proposal from their proxy statement, over our lengthy written objections. We resubmitted our proposal for the 2021 proxy season and, early in 2021, the SEC denied Exxon's request for no-action relief, allowing our proposal to go to a vote.

We also met with Delta Airlines and United Airlines to discuss our proposal, as well as ConocoPhillips and Walmart. Conoco ultimately published a brief report on their website about their climate lobbying efforts. Walmart connected our investor group with the Business Roundtable, which provided us with a preview of their new climate change policy statement, which we were able to provide feedback on. We also signed an investor letter to Boeing regarding climate legislation in the state of Oregon.

## SUPPORTING COMPANIES TO PHASE OUT COAL

A fundamental aspect of our efforts to progressively align our portfolios with the goals of the Paris Agreement is our coal policy. The heart of the policy is the alignment of the carbon intensities for power generation in our portfolios with the IEA Sustainable Development Scenario (SDS) by 2025. The need for a transition from high carbon to low carbon power is particularly acute in Asia, where coal is still a dominant source of electricity generation and where utilities together represent 23% of global greenhouse gas emissions<sup>5</sup>.

We engage with portfolio companies involved in coal-fired power generation to verify their emissions intensity and to encourage them to raise the ambition of their decarbonisation strategies. The current threshold for carbon intensity of power generation set by our policy is 463g CO<sub>2</sub>e/KWh, with a gradual reduction until we reach the IEA SDS target for 2025 (346g CO<sub>2</sub>e/KWh). There are a handful of companies in Asia that, despite failing to meet our threshold, have made credible commitments to

reduce their coal dependency to a level consistent with the IEA SDS. We closely monitor the implementation of their decarbonisation plans. As part of our annual review, we re-assess and engage with all companies in our watch list. There has been both tangible progress at some companies (e.g. CLP Holdings, see below) and disappointing lack of advancement in two cases. Consequently, we have moved these companies to our exclusion list and divested from them.

The case of CLP Holdings illustrates the benefits of engagement. CLP Holdings have made commendable progress. The company has developed a climate strategy in line with TCFD recommendations. They have tightened their decarbonisation target for 2050 by setting an emissions reduction target of 80% from 2007 levels and set new intermediary targets for 2030 and 2040 to be revised at least every five years. They have committed to no additional coal-fired power and to phasing out all remaining coal-based assets.

<sup>5</sup>. Source: International Energy Agency (IEA) World Energy Outlook 2020

# ENVIRONMENTAL SUSTAINABILITY

Preserving the planet's biodiversity is an urgent priority. A focus on biodiversity is not new to BNPP AM – our work on deforestation and climate change, for example, targets two of the key drivers of global biodiversity loss. But those are not the only drivers of this ongoing crisis.

Systemic pesticides, particularly neonicotinoids, have been associated with alarming declines in pollinators, including insects and birds, for years. We helped to organize a meeting with PepsiCo Inc., a group of investors, and two leading scientists, to discuss the global impact of these pesticides. Our dialogue can now proceed based on a common understanding of the current state of the science. Early indications are that our meeting had an impact, and has helped to shift the company's view on these ubiquitous pesti-

cides. For example, our meeting prompted PepsiCo to create a Neonics Workgroup within their Global Pesticide Council, a cross-functional group comprised of senior leaders from across the company that monitors and evaluates pesticide issues and directs PepsiCo's policies and programs.

During the course of 2020, we engaged with 38 companies on biodiversity issues ranging from regenerative agriculture and the use of pesticides to the preservation of the Arctic National Wildlife Refuge. The sectors covered include financials, chemicals, utilities, mining, paper & forestry, and food & beverage companies. Most companies do not yet have a dedicated strategy on biodiversity and at most their biodiversity programmes cover a handful of facilities. Much of our efforts are geared to encouraging com-

panies to develop their strategic thinking on how to address their adverse impacts on biodiversity.

A good example is Solvay. The company has recently committed to reducing the pressure they exercise on biodiversity by 30% by 2030, mainly due to carbon emissions, freshwater eutrophication, marine ecotoxicity and soil acidification. For instance, the company has started to reduce pollution at facility-level by reducing light intensity at night. Light pollution is a real biodiversity threat which has been barely addressed by chemical companies.

As chemical companies move away from fossil fuel-based feedstocks to bio-based chemistry, their exposure to land-use conversion increases.

## TASK FORCE ON NATURE-RELATED FINANCIAL DISCLOSURES

We are pleased to see biodiversity rapidly rising on the agenda of institutional investors and global corporations. In 2020, work began on the establishment of a [Task Force on Nature-related Financial Disclosures \(TNFD\)](#), with the BNP Paribas Group playing a leadership role and active participation from BNPP AM. The TNFD will define a reporting framework to allow the capital markets to identify, measure and reduce their various impacts on biodiversity. The effort is modelled on the Task Force on Climate-related Financial Disclosures, but will have a much broader scope.

## DATA ON CORPORATE IMPACTS ON BIODIVERSITY: A CRUCIAL ISSUE

During the first quarter of 2020, working with other asset managers, we launched a call for expressions of interest (CEI) for a research partner to develop and implement an innovative tool to measure the impact of investments on biodiversity. The goal of the CEI was to find an organisation capable, on a large scale, of measuring companies' biodiversity impact. The process was guided by a set of principles for the development of research tools, and we are grateful for support from

nature-related experts at Global Canopy, WWF, ZSL, CDC Biodiversity, UNEP WCMC, and Capitals Coalition, to name only a few key partners that provided input to the initiative. A consortium of two organisations has been selected to develop the tool and work is now underway. We further supported this effort with an investor statement that ultimately received support from 30 institutional investors managing 6 trillion euros.

Conscious of this, Croda has committed to save more land than they use by 2030. Our dialogue with chemical companies aims to better understand how each company plans to significantly reduce their adverse impacts (e.g., through yield improvement). We also encourage them to raise the ambition of their water-related targets and for these to be science-based.

To preserve nature, we must preserve land, particularly untouched areas that remain critical habitats for wildlife. We participated in an engagement with Bank of America to convince them to publicly state that they would not finance operations in the Arctic National Wildlife Refuge. The bank ultimately announced that it would not provide financing for petroleum exploration or production activities in the Arctic — the last US bank to do so — and, as one of his first official acts, President Biden placed a temporary moratorium on drilling in the Refuge.

We are also working with other interested investors to develop a collaborative engagement focused on nature loss, and were pleased to chair the first meeting of a PRI-coordinated informal working group on biodiversity. We also contributed to a [Ceres Investor Guide to Deforestation and Climate Change](#), a PRI discussion paper, Investor Action on Biodiversity, and the [PRI's Investor Expectations for the Aviation Sector](#), developed for CA100+. In our comments, we highlighted the need to consider biodiversity impacts when evaluating sustainable aviation fuels.

We have been engaging with commodity traders in search of a clear commitment to end deforestation in the Brazilian Cerrado region. The Cerrado has become a booming soy producing area. A region the size of England, France, Germany, Italy and Spain combined, the Cerrado is home to more than 1,600 species of mammals, birds and reptiles, and more than 10,000 species of plants, almost half of which are found nowhere else in the world. We are seeking clear commitments to end deforestation in the Cerrado.

### Ending deforestation

Deforestation is a driver of both climate change and biodiversity loss and remains a core focus of our work in line with our GSS. During 2020, we engaged with 16 companies on three key commodities: soy, beef and palm oil.

We also participated in an ongoing collaborative investor effort focused on the major Brazilian meatpackers JBS, Marfrig and Minerva. We took a leading role in a joint meeting with the three companies to discuss their respective efforts to fully trace their supply chains, followed by letters over the summer of 2020 requesting formal time-bound commitments to full traceability.



Full traceability on each commodity is critical to ending deforestation. However, the complexities of beef and soy value chains makes traceability extremely difficult. Currently, there are no mechanisms to fully trace indirect suppliers in these highly complex value chains.

We have been engaging with Carrefour, the French food retailer giant, for some time as part of the PRI Ceres Sustainable Forest investor coalition. Carrefour has signed the Cerrado Manifesto, engages with meatpackers and soy traders and has made commendable progress, but they face challenges tracing indirect suppliers. In response, the retailer joined the Forest Positive Coalition of Action, a coalition led by 18 corporate members of the Consumer Goods Forum representing USD 18 trillion of collective market value. Their objective is twofold: leveraging collective action to remove deforestation, forest degradation and conversion from key commodity supply chains, while supporting sustainable forest management, conservation and restoration.

We had similar discussions with Casino, another French food retailer, which has a local presence in Brazil and faces the same difficulties. Both Casino and Carrefour announced in November 2020 that they would include clauses in their suppliers' contracts in order to stop buying soy from land deforested in the Cerrado region from January 1<sup>st</sup> 2021 onwards.

BNPP AM sits on the Technical Advisory Group of ZSL SPOTT Palm Oil and Pulp & Paper. Developed by ZSL (Zoological Society of London), SPOTT (Sustainability Policy Transparency Toolkit) assesses commodity producers, processors and traders on their public disclosure regarding their organisation, policies and practices related to ESG issues. SPOTT scores tropical forestry, palm oil and natural rubber companies annually against over 100 sector-specific indicators to benchmark their progress over time. As part of the initiative, we reached out to three Indonesian and Malaysian soft commodities companies in our portfolios to encourage them to engage with ZSL SPOTT on the review of their transparency assessments of soft commodity producers and traders. Our Head of Stewardship for the Americas also participated as a member of a multi-stakeholder advisory group to inform the development of Norway's International Climate and Forest Initiative (NICFI) strategy around curbing deforestation-linked finance.

## Water, mining and tailings

One of the goals of our GSS is to improve the water efficiency of our investment portfolios, with a particular focus on water-stressed areas and water-intensive sectors. We are also working on measuring and reporting on the water footprint of our portfolios.

We have just begun engaging companies from water-intensive sectors operating in water-stressed areas to encourage significant improvements in water efficiency while ensuring water access to local communities. We started by asking mining companies to better manage their tailings.

We met with eight mining companies in 2020 following the publication of the Global Industry Standard on Tailings Management that was developed by a multi-disciplinary expert panel. The Standard aims to prevent catastrophic failure and enhance the safety of mine tailings facilities across the globe. It embodies a step-change in terms of transparency, accountability and safeguarding the rights of project-affected people.

## WE ARE ALSO WORKING ON MEASURING AND REPORTING ON THE WATER FOOTPRINT OF OUR PORTFOLIOS.

We discussed these changes with companies to identify the main challenges for implementing these new standards. Most of the companies that we met were part of the [Global Tailings Review](#) launched by the International Council on Mining and Metals (ICMM), the United Nations Environment Programme (UNEP) and the Principles for Responsible Investment (PRI). This review was aimed at analysing practices across the mining companies and establishing an international standard. This initiative grew out of the dam collapse in Brumadinho at a mine operated by Vale in 2019. Consequently, the companies were fully aware of the expected changes in the governance and supportive of more stringent standards in order to restore confidence in the mining sector. ICMM members confirmed that the implementation of the standard will be finalised within three years for all dams categorised as having extreme and very high potential consequences and within five years for all other dams. It should lead to a more transparent environment for tailings management and should facilitate the assessment by investors of the risk exposure at the company and asset level.

### Sovereign ESG engagement

Last year we witnessed the emergence of sovereign ESG engagement. In November 2020 the PRI under the direction of the PRI Sovereign Debt Advisory Committee (of which we are members) published a paper named "ESG engagement for sovereign debt investors". In the paper, investors recognised the extent to which the role of sovereign bondholders was underutilised. In 2020 we started our own sovereign ESG engagement efforts by establishing a conversation with the governments of Italy and Spain. The aim was to raise awareness within the Spanish and Italian treasuries on the need to start integrating ESG considerations in their funding programmes. With the Spanish government officials, we centred the dialogue on the country's decarbonisation strategy and the labour market. With the Italian officials, our engagement focused on their plans to issue green bonds as a tool to finance the country's decarbonisation efforts.

### Green bond engagement

It is critical for us to monitor the green bonds in which we invest and ensure the promises made in terms of use of proceeds and positive impact are kept. We engage with issuers as part of our ex-post assessment to understand how they measure the impact of the underlying projects or activities financed by their green bonds. In these meetings, we provide issuers with our advice on how to improve measurement or impact if needed.

In 2020, we held over 20 ex-post engagements with green bonds issuers. Last year all the ex-post engagements satisfied our expectations.

# EQUALITY AND INCLUSIVE GROWTH

This theme is particularly important for 2020 where systemic inequality exacerbated the effects of Covid-19 for front-line workers, communities of colour and other vulnerable people.

We are working with a coalition of 10 institutional investors, collectively managing nearly USD 4 trillion, to develop a corporate engagement programme focused on resilience. We believe there are lessons to be learned from the pandemic that will help to put us all in a stronger position for the future. Our group is therefore raising a set of key questions with roughly 50 global companies in a range of industries to initiate a dialogue about the key elements of resilience and to identify and incentivise best practices. Our strategy,

which puts workforce treatment front and centre, includes questions ranging from board oversight of human capital management to questions about capital allocation, including executive compensation. We're also asking how boards evaluate their companies' contribution to the resilience of the key systemic safeguards the companies rely upon to deliver long-term value, including climate and ecosystem stability, government solvency and integrity, and broad access to health care. We've also been in dialogue with Amazon.com and Hilton Worldwide on these issues.

Another critical aspect of this theme is corporate tax. Widespread corporate tax avoidance – or even the appearance of aggressive tax practices – undermines faith in taxation and ultimately societal resilience. We participated in an off-the-record call with a group of American companies to discuss these issues, hosted by the B Team, a group of leadership companies focused on sustainability, including fair and transparent tax practices. We also spoke at the International Anti-Corruption Conference on the importance to investors of corporate country-by-country tax reporting.





Our engagements focusing on the most vulnerable workers in corporate supply chains also continued, including discussions with Broadcom, Microchip and Western Digital to encourage stronger policies and procedures to protect the fundamental human rights of workers in their global supply chains. These discussions were prompted by low scores on the Know the Chain benchmark, which ranks companies on their policies and procedures to address forced labour in their supply chains. A key

focus of these discussions is the plight of migrant workers, who leave their countries for work, only to find that they are indebted to recruitment agencies and others for their job. We are encouraging companies to prohibit these recruitment fees and take steps to ensure that workers are reimbursed for them.

We are strong believers in collaborative engagement with other institutional investors to share best practices, learn from each other and combine our efforts

to address key systemic risks. During the year, we engaged regularly with Ceres, the UN PRI, the Interfaith Center on Corporate Responsibility, the Investor Alliance for Human Rights and the Human Capital Management Coalition. We also participated in meetings of the Council of Institutional Investors Corporate Governance Advisory Council and Harvard Law School Institutional Investor Forum on a variety of issues.

## FOCUS ON THE GNI

Our Head of Stewardship for the Americas, Adam Kanzer, serves on the steering committee of the Investor Alliance for Human Rights, and represents BNPP AM on the board of the Global Network Initiative, a multi-stakeholder effort to address threats to freedom of expression and privacy in the digital sphere. During the year, the GNI welcomed David Kaye, the former United Nations Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression, as independent chair, and several new members, including the Wikimedia Foundation and Line, the first Asian company to join the organisation. In all, GNI represents 14 leading information communications and technology companies and more than 50 academic, civil society and investor members.

# PROXY VOTING

Every year we review [our voting policy](#) to capture the evolution of corporate governance codes and practice as well as the learnings drawn from our own experience. For the 2020 proxy voting season, we amended three aspects of our policy:

- we raised our expectations for gender diversity on corporate boards,
- we introduced rules regarding the duration and terms of mandate for directors,
- we enshrined in our policy a limit to the duration of tenure for auditors.

## VOTING STATISTICS FOR 2020

### Number of meetings voted

	Total	Europe	North America	Japan	Others
2020	1,870	923	476	130	341
	100%	49.4%	25.5%	7.0%	18.2%
2019	1,758	827	450	121	360
	100%	47.0%	25.6%	6.9%	20.5%
2018	1,464	618	438	126	282
	100%	42.2%	29.9%	8.6%	19.3%

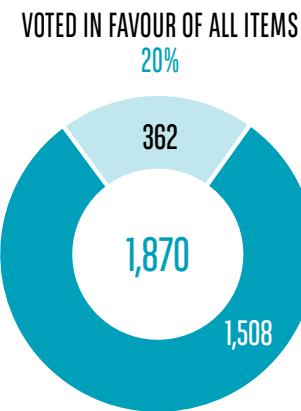
### % of resolutions voted against management or abstained

2020		32%
2019		28%
2018		22%

### % of rejected nominations

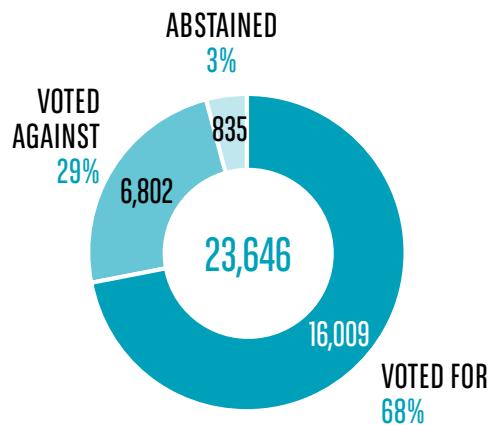
2020		36%
2019		29%

### General meetings voted



VOTED AGAINST  
OR ABSTAINED  
ON AT LEAST  
ONE ITEM  
80%

### Number of management resolutions voted



Within our voting scope, we voted at 1,870 general meetings, primarily in Europe and North America, which represented nearly 75% of our votes. There was a sharp increase in our opposition rate to management proposals from 27.8% in 2019 to 32.3% in 2020 primarily due to our voting policy changes. In addition, we continued to manifest our disagreement in the face of excessive and non-justifiable executive compensation (58% opposed).

It is our policy not to approve the financial statements, director and auditor reports if the company has engaged in serious violations of the UN Global Compact Principles (in some geographies we will not approve the discharge of board and management or approve board nominations). Note that while we exclude those companies that we consider to be in violation of these Principles,

we might still have minimal exposure through some of our ETFs<sup>6</sup>.

We will do likewise when a company does not report properly on their carbon footprint (scope 1, 2 and 3 emissions, when appropriate), or does not communicate nor want to constructively engage regarding business strategy to mitigate and adapt to climate change, or their climate lobbying strategy.

We supported 94% of shareholder proposals on climate change, filed four shareholder proposals on climate lobbying (at Chevron, Delta, United and Exxon), and opposed 451 management resolutions due to climate change considerations.

Our proposal at Chevron received a historic 53% vote, and after extensive engagement, the company produced a report at the end of the year, including

a discussion of how they work within trade associations to influence their climate positions. Our proposals at Delta and United received 46% and 31% support, respectively. Our proposal at Exxon Mobil was omitted at the Securities and Exchange Commission.

We have voted in favour of shareholder proposals when they were in line with the long-term interests of the company and requested action that was warranted given the practices of the company. However, we abstained when the proposal was not appropriate for the company or if the request was already applied in practice. For all details on how we voted and why, [see our 2020 Voting Report](#).

## ENGAGEMENT CAMPAIGN LINKED TO COVID-19 SITUATION

Circumstances in 2020 have meant that the majority of annual general meetings (AGMs) around the world were held behind closed doors without the physical presence of shareholders. Companies have adapted the way in which shareholders can best exercise their rights. Some used digital solutions only with no live interaction with shareholders (virtual meetings), while others accepted more interactions during the general meeting (by accepting written or live questions). Following major changes enabled by emergency legislation in many jurisdictions in the midst of Covid-19 pandemic, we have worked with issuers, regulators and shareholders to ensure shareholder meetings could go ahead in 2020 with basic ground rules to protect fundamental shareholder rights. We also played an active role in developing with the ICGN a viewpoint on ["The Future of Annual General Meetings"](#) to provide insight and guidance on what annual general meetings might look like in future.

Despite the change to the way in which general meetings were conducted, there has been no change to the way in which BNPP AM, as an active shareholder, has analysed, voted and engaged in AGMs this year. BNPP AM believes that companies should employ responsible capital allocation – even more so in light of the Covid-19 pandemic – that does not compromise long-term corporate strategy and takes into account the social imbalances resulting from the crisis. We recommended that companies explicitly disclose how the impact of the pandemic was taken into account and affected their capital allocation decisions, their business strategies, their sustainability plans, their employees and their broader stakeholders. We voted against dividend proposals if dividends were deemed irresponsible: in 2020, we opposed 8.7% of dividend proposals (compared to 2.7% in 2019).

6. For more information see our [RBC](#) and [voting policies](#)

## CLOSER LOOK AT BOARD DIVERSITY

One of our aims is to encourage companies to provide greater opportunities for women. Having greater gender diversity on boards improves corporate governance profiles and effectiveness.

In 2019, we adopted a new global voting policy to oppose all male directors on boards with no women. In 2020, we raised the threshold to 30% for companies based in the United States, Canada, Europe, Australia and New Zealand. For companies that fall between 20% and 30%, we take a deeper look and will accept male directors if certain conditions are met, such as a commitment to reaching 30% female representation within two years.

We voted against the entire board in instances where there was no female director. We rejected the nomination of 36% of proposed directors on the grounds of gender imbalance, a rise from 29% in 2019.

We also selected a small number of companies for direct engagement on this issue. Out of the 23 companies (12 in Europe and 11 in North America) we approached, we followed up with substantive exchanges with 14. One half of the companies agreed to improve their gender diversity ahead of their AGM. For example, this year we supported the board elections of Segro Reit Plc, BT

Group Plc and Logitech International as they met or exceeded the 30% for women on boards threshold.

We received encouraging – but not final – feedback from three of the companies and therefore we continue to engage with them. We voted against male directors for the nine companies that did not respond to our call for engagement or for which engagement did not come to fruition.

Note that starting in 2025 we will apply a threshold of 40% women on the board.

During the 2020 proxy season, we had 255 interactions with 140 companies related to voting issues, an increase from 123 companies in 2019.

We had 39 successful engagements (27.7% of the engagements), a slight decrease from our 31.2% success rate in 2019. However, a potential modification of our voting decision is not the only criterion for success. Some companies do not modify their practices until the following year and may not be captured in our statistics on successful engagement.

## PRE-VOTING ENGAGEMENT

### WHAT IS A SUCCESS FOR US?

During proxy season, we engage in dialogue with companies either on our own initiative or at the request of the issuer, and we generally concentrate on our largest holdings. The goal of these engagements is threefold:

- to communicate our voting policy to promote good corporate governance and to prepare for the issuer's next general meeting,
- to obtain additional information on individual voting proposals,
- to express our concerns about specific resolutions that contradict our voting policy.

We consider a voting related engagement to be successful if the company withdraws the proposal we are opposing, or we change our vote in favour of the proposal after a modification of the resolution from the issuer; or where we obtain additional information.

**39**

successful  
engagements

# PUBLIC POLICY

In September 2019, we published our **Public Policy Stewardship Strategy on Sustainability for 2019-2020**. Our strategy describes our core commitment to public policy engagement related to our sustainability goals and our key public policy objectives for the sustainability agenda. Among these, we highlighted our support for mandatory meaningful sustainability disclosures and for sustainable finance to become mainstream practice for all financial actors.

During 2020, BNPP AM actively advocated in line with our Public Policy Strategy for:

- a science-based EU Taxonomy in line with the EU goal of achieving carbon neutrality by 2050 that provides clarity to the green financial market while helping raise the necessary funds to finance the transition to a carbon neutral, sustainable and more inclusive economy,
- an EU Taxonomy, that frames transition finance and fosters corporate and financial transparency,

## EUROPEAN PLATFORM ON SUSTAINABLE FINANCE

The Platform will continue to develop the EU Taxonomy in terms of the environmental technical screening criteria for activities not yet covered in the current climate taxonomy and for the other four environmental objectives. It will make a formal recommendation on whether or not the taxonomy should be expanded to cover social objectives and activities that significantly harm the environment. It will also "monitor and report on capital flows towards sustainable investments" and "advise the Commission on sustainable finance policy more broadly".

• a common global framework that would allow regional taxonomies to co-exist in a globalised financial market, and the use of the EU Taxonomy as a reference for the development of other taxonomies given the advanced stage of the EU's work,

• harmonised environmental metrics and underlying methodologies, and the improvement of sustainability-related reporting, including the expansion and reinforcement of the Non-financial Reporting Directive,

• the adoption of the TCFD framework by companies and states.

In October 2020, the European Commission launched the EU Platform on Sustainable Finance to replace the EU Technical Expert

Group. BNP Paribas was one of only three financial institutions appointed to the Platform through BNPP AM's Global Head of Stewardship and Policy, Helena Vines Fiestas, who is rapporteur of the working group on data, usability and policy. Throughout the year, we directly responded to most consultations launched by the EC and European Supervision Authorities (ESAs). We also participated in numerous workshops and events organised by EU institutions as well as by the industry.

Our efforts in developing a taxonomy are not limited to Europe. Through our role on the Platform, we have held discussions with Latin American, US and Canadian officials on the development of a taxonomy. We are also members of Monetary Authority of Singapore's (MAS) Green Finance Industry Taskforce (GFIT), which helps promote green policies and initiatives. Through the GFIT, we contributed to drafting a proposed taxonomy for Singapore-based financial institutions to identify activities that can be considered green or transitioning towards green, as well as creating a handbook

to help asset managers, banks and insurers implement the environmental risk management guidelines.

In the Asia-Pacific region, governments and regulators have remained active in developing initiatives to enable a sustainable financial ecosystem. Through our involvement in a number of policy and regulatory working groups, we continue to advocate for a convergence of ESG definitions and standards including the adoption of the metrics and principles that underpin the EU Taxonomy.

In 2020, a number of policy initiatives we have been involved in came to fruition. Following a public consultation, in December 2020 the MAS published Environmental Risk Management Guidelines for asset managers, which we contributed to. The guidelines set out sound practices in relation to asset managers' governance, risk management and disclosure of environmental risks.

In Hong Kong, we were invited to join the Security and Futures Commission's (SFC) Technical Expert Group (TEG). Through the TEG, we contributed to the

## CALLING FOR GREATER ACTION ON CLIMATE CHANGE

In 2020, we saw several countries raising their climate ambitions. Japan (2050), China (2060) and Hong Kong (2050) made net zero pledges. In Europe, the European Commission presented its 2030 Climate Target Plan, which sets out how the EU will reduce greenhouse gas emissions by at least 55% by 2030.

BNPP AM, as an active member of the IIGCC policy group, called on the European Commission and EU member states to raise Europe's greenhouse gas emissions reduction target to ensure "at least" a 55% reduction in emissions by 2030. This was supported by the publication of a new IIGCC report, "[Ambitious EU 2030 action essential for achieving net zero emissions](#)", and a press release to which we contributed. A letter calling for at least a 55% reduction target was signed by CEOs from more than 150 organisations and presented to the

Executive Vice President of the European Commission, Frans Timmermans. In May, BNPP AM joined the European Green Recovery Alliance, an appeal to support post-pandemic "stimulus transformation plans" that put the fight against climate change and biodiversity loss at the centre of Europe's economic policy. In a joint letter, the alliance calls for recovery efforts to focus on three sectors:

- energy retrofits of dwellings, buildings and offices the public and private sectors,
- development of decarbonised mobility, electric vehicles, soft mobility infrastructure and public transport,
- expansion and storage of renewable and decarbonised electrical energies or heat.

SFC's Consultation Paper on the Management and Disclosure of Climate-related Risks by Fund Managers, which was released in October 2020. The SFC proposes to amend the Fund Manager Code of Conduct to "require fund managers to take climate-related risks into consideration in their investment and risk management processes as well as to make appropriate disclosures to meet investors' growing demand for climate risk information and to combat greenwashing".

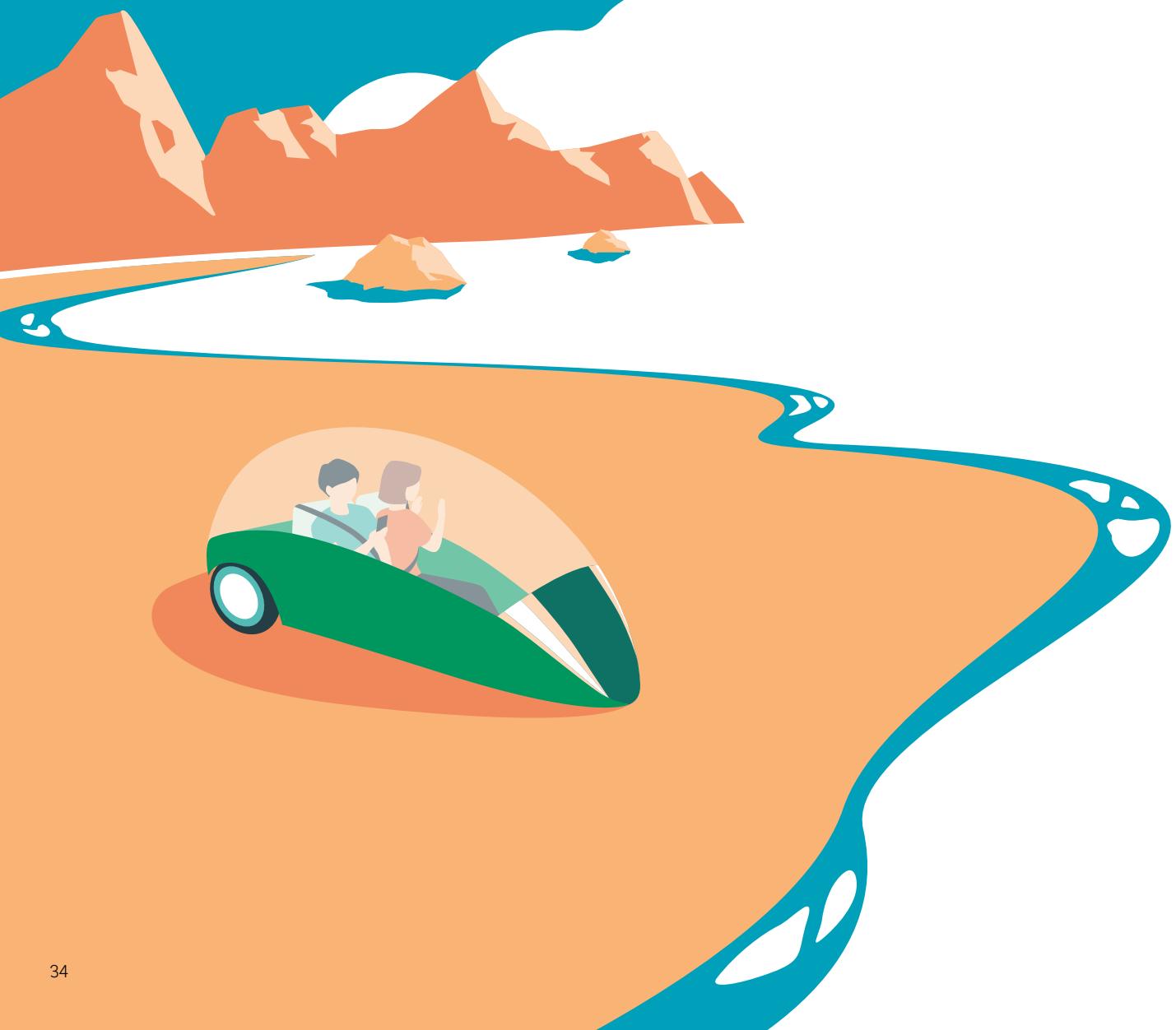
We also contributed to the development of ESG policies, recommendations and frameworks through the publication of a working paper by the Financial Services Development Council's (FSDC) titled "Hong Kong – Developing into the Global ESG Investment Hub of Asia". The FSDC is a cross-sectoral advisory body that was established by the Hong Kong government in 2013 to map out the strategic development of the local financial services industry.

In recognition of this work, our Head of Stewardship for Asia Pacific, Paul Milon, became co-chair of the Asia Investor Group on Climate Change's (AIGCC) Engagement & Policy working group.



# 3 Responsible Business Conduct

We expect companies to meet their fundamental obligations in the areas of human and labour rights, protecting the environment and ensuring anti-corruption safeguards, wherever they operate, in line with the UN Global Compact Principles. We engage with companies regarding areas in which they fall short, and exclude the worst offenders. We also have a series of sector policies that set out the conditions for investing in particular sectors, and guide our screening requirements and engagement.



## SWITCHING FROM OPT IN TO OPT OUT

In 2020, we made the decision to switch the application of our **Responsible Business Conduct Policy** to client mandates from an opt-in default to opt-out. In practice, this means we will apply our policy to any new client mandates we onboard unless the client decides that they would prefer not to (some clients have their own exclusion lists and would rather that we implement it). This left the question of what we would do with our existing client mandates. Our teams worked very closely to develop an awareness and education campaign to inform our existing clients of the benefits of our approach and to see whether they would be amenable to this switch. It allowed us to have meaningful conversations with clients about important sustainability topics and to learn more about their sustainability objectives. By the end of 2020, 57% of clients had agreed to the switch and we were still in discussions with 36% of them.

## UNCONVENTIONAL OIL AND GAS

In 2020, we added new elements to our Unconventional Oil and Gas Policy to expand the exclusion list to activities related to companies involved in the exploration, production, trading and/or pipeline distribution of shale oil or gas, oil sands, and oil and gas resources located in the Arctic region.

## OUR RESPONSIBLE BUSINESS CONDUCT POLICY COVERS THE FOLLOWING SECTORS



Agriculture



Asbestos



Coal



Controversial Weapons



Forestry



Mining



Nuclear Power Generation



Palm Oil



Tobacco



Unconventional  
Oil and Gas



Norms-based screening  
(UN Global Compact and OECD Guidelines  
for Multinational Enterprises)

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Accurate and comparable information on carbon emissions from companies is an important precondition for effectively managing climate-related risks. Many companies voluntarily report emissions and other climate information. In some jurisdictions, this is compulsory, but tends to cover only direct CO<sub>2</sub> emissions, focuses on only some sectors or does not require standardised information to be disclosed in mainstream financial filings.

This leads to incomparable, inconsistent, sparse and poor climate-related data that is impossible for investors to evaluate. We strongly support the implementation of the recommendations of the **Task Force on Climate-related Financial Disclosures** and because of this, we report annually on our climate-related activities through **the BNP Paribas Group's TCFD report**. Our Global Head of Sustainability, Jane Ambachtsheer, is a member of the TCFD.

# 4 Our “3Es”

We believe a better world is one with an economic model that includes a successful energy transition, is more environmentally sustainable, and more equitable and inclusive – our “3Es”, critical preconditions that are the focus of our sustainability efforts. We also believe that institutional investors – including both asset managers and asset owners – have the opportunity, indeed the obligation, to take action to help achieve the Sustainable Development Goals and the Paris Agreement.

# ENERGY TRANSITION

We are convinced that companies positioned to help address the significant environmental challenges we face will outperform those that either take no action or indeed contribute to these issues. The latter will increasingly be at risk of having stranded assets and will be forced to take write-downs. Meanwhile, as population growth boosts demand for food, water and energy, causing increasing CO<sub>2</sub> emissions, waste production and unsustainable consumption, the market for solutions to meet these needs could amount to trillions of dollars and will be increasingly encouraged by governments. With such challenges come opportunities for those investors looking for meaningful ways to deploy capital to help fight climate change.



**"We finance real assets that provide an essential good or service to the community. This covers sectors such as renewable energy, digital or transport that meet a need for clean energy. Since 2017, we have financed €350 million in assets aligned with our ESG approach. We have developed a taxonomy to identify what is sustainable and what is not, and thus focus our strategy on concrete elements."**

**Karen Azoulay**  
Head of Infrastructure Debt

→ DISCOVER HOW KAREN DRIVES SUSTAINABILITY

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## THOUGHT LEADERSHIP

### WHAT TECHNOLOGIES DO WE NEED TO GET TO NET ZERO?

By Thibaud Clisson,  
ESG Analyst,  
Climate Change Lead



"Despite being a significant part of green recovery and climate change plans, the issue with both green hydrogen and carbon capture is that a major acceleration is needed to bring both of these technologies up to speed. The **2020 Energy Technology Perspectives report** highlights that the technologies required to meet around 75% of the emissions reductions needed for net zero are currently not mature enough. It recommends that a mix of public and private finance be rapidly deployed to push these to maturity.

This represents a big opportunity: the Energy Transitions Commission estimates that to develop these and other green technologies such as bioenergy to decarbonise aviation, heavy goods transport, buildings and agriculture, will require between USD 1 trillion and USD 2 trillion a year in investment. This investment will need to be targeted effectively to ensure the path to net zero is realised. We have the means to get there, but a lot of work is needed."

→ READ THE ENTIRE PAPER HERE

# ENVIRONMENTAL SUSTAINABILITY

We are more dependent than ever on natural ecosystem resources and services to meet our food, health and energy needs. But we are witnessing the weakening of our biodiversity and the disappearance of many species. This decline has accelerated despite repeated political commitments. That is why many people are now calling for a more ambitious agreement on biodiversity, something similar to the Paris Agreement.

Awareness of the importance of protecting biodiversity is leading to more and more questions on issues such as deforestation, our food sources and soil quality. As an example, oceans provide ecosystem services and resources that are essential to our well-being and the prosperity of the global economy, but the sustainability of these services is now under serious threat. Oceans provide employment for tourism and offshore wind power, and are also a formidable reservoir of biodiversity to be preserved at all costs in order to maintain our food safety, health or even to protect our coastal areas. The ocean is also one of our best allies in the fight against climate change, capturing nearly 30% of CO<sub>2</sub> emissions from human activities.



Long-term investors have a role to play in encouraging companies to reduce their impact on biodiversity and demanding more transparency from companies about their impacts."

**Robert-Alexandre Poujade**  
ESG Analyst, Biodiversity Lead

## WWF RESPOND

BNPP AM obtained the maximum score in most modules of the **WWF Respond study** on the quality of sustainable investment among the world's largest asset managers.

## THOUGHT LEADERSHIP

# WHAT IS THE ROLE OF OUR INDUSTRY WHEN THE NATURAL WORLD IS IN CRISIS?

by Adam Kanzer, Head of Stewardship for the Americas



"We are losing biodiversity – the very fabric of life on Earth – at an alarming rate. According to the most comprehensive scientific assessment, "The diversity of nature maintains humanity's ability to choose alternatives in the face of an uncertain future?" We would be poor investors if we did not seek to preserve our long-term ability to choose alternatives in the face of uncertainty. We still have opportunities to build the future our clients want and need, but our options are dwindling.

## Extinctions breed extinctions

For example, when bees and other insect pollinators disappear, the birds that eat them and the plants they pollinate also disappear. Thus begins a chain reaction, with severe implications for soil health, water purification, pest and disease regulation and a wide range of other ecosystem services these species provide to humanity, free of charge. [A recent study placed the economic value of insect pollination in the US at USD 34 billion, based on 2012 data](#). But the larger cost in terms of human sustenance and nutrition is substantially greater, potentially impacting all sectors of the economy that depend upon a healthy, well-nourished workforce. One estimate places the cost of pollinator loss alone at more than USD 500 billion per year<sup>7</sup>.

According to the World Economic Forum, overall, half of global GDP is threatened by nature loss.

 **These estimates are credible and large enough to threaten financial stability and our ability to continue to deliver sustainable returns to our clients. As fiduciaries, we have an obligation to act.**

Sophisticated investors are comfortable with risk, but the biodiversity and climate crises demand new terminology. Like climate change, biodiversity loss is an ongoing process, not a potential event far off in the future. There is a great deal of uncertainty regarding how this process may play out, and how negative and far-reaching the outcomes will be, but it is quite clear that continuing on a business-as-usual basis is driving us to disaster, and we must change course.

Ecosystem collapse is already happening, initiated and driven by human activity. It is proceeding according to biological processes and complex interactions between species, not by the laws of economics or statistical analysis. Too much reliance on our old risk management models may mask the true nature of the threat we are facing and our role in driving it.

When we use the term 'systemic risk' in this context, we are not merely speaking about threats to financial stability; we are speaking about the harm to society when critical life-support systems are damaged, or knocked out of equilibrium. This kind of threat is particularly difficult to model, with potentially unlimited downside risk.

The unraveling of nature is an unhedgeable risk of unprecedented size and importance. It is difficult to overstate its magnitude. All sectors of the economy face various forms of systemic risk, as damaged and destabilised ecosystems result in drought, famine, disease, and the inevitable mass migrations and conflict that accompany these unexpected, but predictable, disasters. To manage this, investors need to bring all of their influence to bear on the problem, including more effective corporate engagement and public policy advocacy.

There is tremendous opportunity here as well. Along with the shift to a low carbon economy, the transition to a global economy in harmony with nature represents the most significant investment opportunity of our lifetimes. According to the World Economic Forum, these 'positive pathways' are estimated to bring USD 10 trillion in business value and create 395 million jobs by 2030.<sup>8</sup>

 [READ THE ENTIRE PAPER HERE](#)

7. The global assessment report on biodiversity and ecosystem services – IPBES – 2019  
8. Bee Population Decline | Sustainability (osu.edu)



# EQUALITY & INCLUSIVE GROWTH

While social factors are an extremely important component of companies' ESG scores, they have often been perceived as less prominent. This can be attributed in part to the fact that the nature of social indicators can seem less tangible or measurable, with standards that are more likely to vary by region – however, the same can hold for environmental and governance factors. We continue to put significant focus on accessing and utilising data and research on a range of "S" indicators, including classic topics such as gender diversity and labour standards, as well as a deeper dive into other business practices that can support more inclusive growth.



**ESG factors will become more important especially regarding social issues given the widespread lockdowns during the Covid-19 crisis."**

**An institutional client from the Netherlands**

## THOUGHT LEADERSHIP

**FOCUSING ON THE "S"  
HOW DISCLOSURE  
AND ACTION CAN  
HELP DIVERSITY**  
**By Delphine Riou,  
ESG Analyst, Inclusive  
Growth Lead**



"In addition to the coronavirus pandemic, 2020 will be remembered as the year when issues around equality became supercharged. As Covid-19 spread around the world, commentators increasingly noted the social disparities the pandemic was revealing. Key workers – those responsible for keeping the economy running while the authorities were facing down the virus – are overwhelmingly from lower-income households. People from ethnic minority backgrounds reportedly faced a greater health risk from the disease. Women and minorities have suffered more severe economic hardships as countries shielded themselves and shut down.

All of this has merely brought equality issues that already existed to the fore. There is a moral imperative to address these problems. Some studies point to the financial benefits of taking action, with research indicating that unequal societies act as a barrier to economic growth. Not investing in social mobility can hamper both economic and social returns.

It is worth pointing out the risks – reputational and financial – for companies that fail to act on diversity commitments. These are highlighted not just by recent well-reported criticisms of internal culture and progress on diversity at certain organisations, but also a trend of stakeholder litigation against companies failing to follow up pledges on diversity with concrete actions."

[READ THE ENTIRE PAPER HERE](#)

66



We were mandated in June 2020 by BNPP AM to conduct a survey to better understand if the Covid-19 pandemic had an impact on European investors' attitude towards ESG, including social considerations, in their investment approach. Our market study highlights the extent of changing perceptions of the importance of social considerations, with a substantial increase expected.

Overall, almost a quarter of respondents said that ESG has become 'more of a focus/more important' as a result of the Covid-19 crisis. While the importance of all three ESG factors has increased since the crisis began, this is particularly true for social considerations, which 70% of respondents expect to become extremely or very important as we move

forward. The importance of social criteria rose 20 percentage points from before the crisis, closing the gap on environmental (up 11 percentage points, to 74%) and governance (up 4 percentage points, to 76%) factors.

The Covid-19 crisis has clearly prompted a shift in investor perception of social factors, which are now widely seen as having a critical and positive impact on long-term value creation and risk mitigation. It has also highlighted the interconnection between the way in which companies approach social issues, such as treatment of employees or addressing inequalities in their long-term sustainability strategy."

#### Mark Buckley

Relationship Director, Greenwich Associates

## KEY FIGURES

KEY FINDINGS  
OF BNPP AM'S  
STUDY

79%

of respondents cite social considerations as having a positive impact on long-term investment performance and risk management

23%

said that ESG has become "more of a focus/more important" as a result of the Covid-19 crisis



# 5 Sustainable+

Our Sustainable+ range integrates the four core pillars of our sustainable offer and adds something more: "Enhanced ESG" strategies that bring together multi-factor, best-in-class and labelled funds; "thematic" strategies that invest in companies that provide products and services that offer concrete solutions to specific environmental and/or social challenges; and lastly, "impact" strategies that generate deliberate and measurable positive social and/or environmental impact in addition to financial performance.



# OUR SUSTAINABLE SAVINGS SOLUTIONS

Through our investment solutions, we contribute to our clients' long-term goals while acting on issues regarding climate, environmental protection, and equality and inclusion.

## LEADER IN SRI AND SUSTAINABLE THEMATIC SOLUTIONS IN EUROPE

With €20 billion in assets in sustainable thematic funds, BNPP AM is the leading European market player<sup>9</sup>. With more than €85 billion of AUM SRI labelled in France and Belgium, we are in a leading position in SRI funds in the European market.

€92  
billion  
Sustainable+  
range AUM

As the SRI market is expanding with investors increasingly keen to take more account of environmental, social and governance issues, we are continuing to label our range of funds and we were awarded an SRI label for 25 new funds and 10 additional ETFs. As at December 31<sup>st</sup>, 2020, we have 119 SRI labelled funds.



In 2020, the number of SRI labelled funds in Europe increased significantly, reflecting the general enthusiasm for these investments, which marry financial performance with sustainable development."

**Béatrice Verger**  
Head of SRI Development



in France and in Belgium  
in terms of SRI labelled AUM

9. Source: Morningstar; BNPPAM data up to 28.02.2021 excluding index funds and including only sustainable thematic strategies

## A LONG/SHORT EQUITY THEMATIC FUND

With our EARTH strategy we innovate yet again for the benefit of the energy transition. The team takes long positions in the most promising and innovative companies globally within the energy, materials, agriculture and industrials markets that are providing solutions to environmental challenges. These are paired with short positions in companies with unsustainable or technologically inferior business models vulnerable to transition risk. Short positions are used both to hedge long positions as well as a source of alpha, and have a positive impact by increasing the cost of capital for companies failing to address environmental challenges.



**A sustainability report will be produced quarterly including footprints for emissions, waste and water. The report will also include the positive impact per unit of investment for emissions, water use and waste production avoided.”**

**Edward Lees**  
Co-Head of the Environmental Strategies Group

## SUCCESS: OUR ENERGY TRANSITION STRATEGY EXCEEDS €1.5 BILLION OF AUM

Amid growing investor awareness of environmental issues, the strategy has seen increased demand from clients keen **to take advantage of the opportunities presented by companies participating in the energy transition**. This demand is also being seen across BNPP AM's wider range of actively-managed thematic funds.



**This strategy invests in the energy transition opportunity arising from increased energy demand, a changing energy mix and the need for energy-efficient solutions to address climate change.”**

**Ulrik Fugmann**  
Co-Head of the Environmental Strategies Group

Thematic sustainable AUM 2020  
€20 billion

Our Sustainable+ range  
150 funds

## AN ETF CONTRIBUTING TO THE BLUE ECONOMY

Following the first circular economy ETF in 2019, BNPP AM is expanding its range of sustainable thematic investments through **the launch of the first ETF based on the blue economy**, investing in companies that can seize the opportunities offered by the use of ocean resources for economic growth, improved incomes and jobs, and healthy ocean ecosystems.

### AWARD

We were recognised by "Trophies for Responsible Finance", a French award that rewards the best funds combining SRI and performance approaches, for our Climate Impact strategy.



"Our ETF tracks the ECPI Global ESG Blue Economy Index, a weighted index offering exposure to 50 large caps selected for their sustainable stake in the blue economy. The index is in line with UN Sustainable Development Goal 14 on life below water."

### Isabelle Bourcier

Head of Quantitative and Index Management

→ DISCOVER HOW ISABELLE DRIVES SUSTAINABILITY

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## MULTI-FACTOR FIXED INCOME FUNDS: IMPLEMENTATION OF A 50% CARBON FOOTPRINT REDUCTION MECHANISM

Two of our multi-factor fixed income funds now apply additional targets to halve their carbon footprints relative to their benchmark indices, based on scope 1 and 2 CO<sub>2</sub> emissions. The funds, which already had French SRI certification because of their ESG integration criteria, now have quantifiable decarbonisation criteria and that makes us one of the first asset managers to be able to offer such a comprehensive range covering the main equity and credit markets.

## SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) outline a universal road map for delivering a sustainable future for all by addressing the global challenges the world faces today, from poverty and climate change to inequality and peace and justice issues. While the SDGs were drafted by governments, they are used as a framework by investors to understand the extent to which their investments have an impact on the real economy. SDG impact measurement is a growing area of interest for us. We are a founding signatory to the Operating Principles for Impact Management and we published our first disclosure statement in 2020.



**Measurability of impact is still a challenge, and the lack of industry standard makes “impact-washing” a real concern. This year, we started studying data providers’ SDG-related solutions with a view to assess our holdings’ contribution to the SDGs and facilitate portfolio-level impact construction and reporting.”**

**Bérénice Lasfargues**  
ESG Analyst, SDG Lead

# THE SOCIAL IMPACT OF OUR SOCIAL BUSINESS STRATEGIES

We have been developing and managing solidarity savings funds for over 15 years. Our range of solidarity funds, with close to €3 billion in assets under management, allows clients to invest a part of their savings in social businesses rigorously selected by our team of experts according to our in-house methodology.

We are invested in 27 non-profit organisations and social enterprises that support the most vulnerable populations on issues such as employment, access to housing, dependency and access to health care.

In 2020, an additional €21 million was invested in these funds, expanding their social and/or environmental impact.

**€2.8**  
billion  
solidarity  
funds  
AUM

**€150**  
million  
in social  
business  
investments

**27**  
solidarity  
partners

## SUPPORTING THE SOCIAL ECONOMY DURING THE CRISIS

In 2020, the Covid-19 crisis hit the hardest those in the economy who serve first and foremost some of the poorest. Very quickly, our teams made every effort to provide the best possible support to our partners through dedicated support and adapted solutions. BNPP AM has also been keen to support and highlight, particularly on social networks, the initiatives of our partners, which have not lacked the resources and ideas to continue to support their beneficiaries in this unique context.

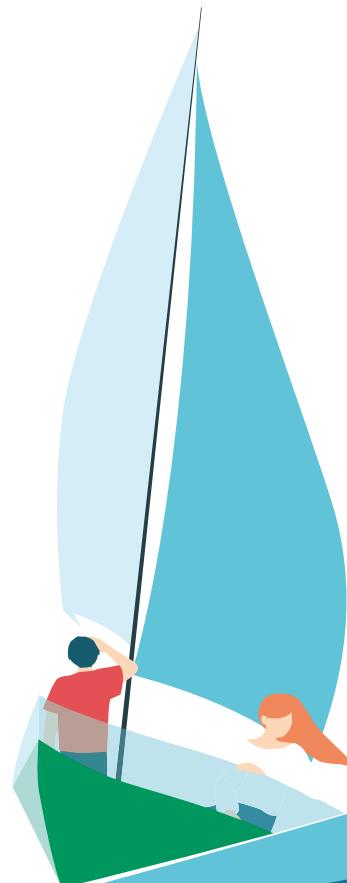
**These social enterprises and other social economy actors demonstrate an outstanding ability to act, innovate and grow. It is essential to support and accelerate the recovery of their activities: as a committed investor, we have called on all the investors and funders of the social and solidarity economy to coordinate to continue to support them.”**

**Marie-Geneviève Loys-Carreiras**  
Head of Social Business Investments



This crisis is an opportunity to reflect on our activity and to reinvent ourselves. It is time to stop considering economic reinsertion structures as a sector apart from the others and to create inclusive growth models which inspire entrepreneurs”.

**Laurent Laïk**  
CEO, La Varappe





# 6 Our CSR Approach

Walking the talk is critical to achieving excellence. As a sustainable asset manager, our corporate practices and disclosures should match or exceed the standards we expect from the entities in which we invest. To achieve this, we have a four-pronged approach to integrating sustainability in our operational and community activities: decreasing our operational CO<sub>2</sub> emissions and reducing our waste to landfill, achieving a more gender-balanced workforce, and focusing our community initiatives on youth inclusion.





A great thing about working at BNPP AM is its strong emphasis on Corporate Social Responsibility and the role it plays in building a culture of sustainability amongst our employees. We are also focused on minimising our 'ask-do' gap, the difference between what we ask of the companies we invest in, and what we do internally. We want to walk the talk!"

**Chris Ouellette**  
Head of Corporate Social Responsibility

## REDUCE OUR EMISSIONS

We have committed to aligning our investment portfolios to a trajectory in line with the objectives of the Paris Agreement, and we plan on doing the same with our operational emissions. Through the BNP Paribas Group, we have been offsetting our operational emissions since 2017 using trusted partners, including **ClimateSeed**, a social business launched by BNP Paribas. Through its digital platform, ClimateSeed offers a wide range of high-quality projects related to reforestation, forest conservation, energy efficiency, renewables, and water and waste management in more than 20 countries. As a social business, it reinvests all its profits into educational programmes, project development, and technological solutions to counter climate change.

Our building energy use, business travel and paper use were down significantly in 2020 due to the pandemic and our hope is that we can maintain some of these new habits as we find ourselves slowly transitioning to a post-pandemic world.

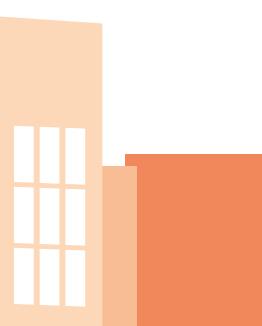
## MANAGE THE LIFE CYCLE OF OUR IT EQUIPMENT

In 2019, **BNP Paribas formed an alliance with 3stepIT** to help globalise its leading approach to responsible and sustainable IT life cycle management. 3stepIT uses circular economy principles in its approach to technology life cycle management and finds new homes for over 97% of the equipment returned to it. The remainder, which is usually faulty or beyond repair, is responsibly recycled through ISO 14001 certified recycling partners. We are currently using 3stepIT in France, where over half of our workforce is located.



Using BNP Paribas 3stepIT in France has helped us eliminate waste associated with IT here and in doing so, reduce our emissions and our impact on the environment."

**Fatia-Fatma Balit**  
Deputy Head of IT, BNP Paribas Asset Management



# SEND ZERO WASTE TO LANDFILL

In 2019, we undertook a waste audit at our headquarters in Paris, where approximately half of our workforce is located. The results of the waste audit, which show that we currently recycle 35% of our waste, provide us with a baseline to achieve our long-term goal of diverting 100% of our waste.

In 2020, we established a Mission Zero Council to bring together our key stakeholders to help us achieve our long term vision. The Council meets on a quarterly basis and includes our property managers, janitorial firms, waste haulage providers and the food services company managing the cafeteria facilities at our head office. Together, we are implementing the first year of the action plan from our waste audit.

We faced challenges at some of our locations due to the pandemic, as employees were prevented from using some kitchen facilities, but overall we are pleased with our progress.

Here are some of our other accomplishments in 2020:

- launched a communication campaign to employees during European Waste Reduction Week,
- teamed up with SmartWorld in Belgium to donate our work smartphones and have them reconditioned for second use, and partnered with Nespresso to have coffee pods recycled directly by them; employees can also bring in their capsules from home to be recycled,
- moved to centralised waste bins in our Hong Kong office, which included an extensive communication campaign, and provided all employees with reusable lunch boxes.



**"In Hong Kong, BNP Paribas Asset Management provides us with reusable lunch boxes, cutlery and bags. I think this is an excellent initiative undertaken by the firm as I feel that together we can and must have a positive impact."**

**Jessica Tea**  
Investment Specialist

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## GROWING GREEN

Our Singapore office undertook virtual team building through a "growing green" adventure, together with their children. The event was hosted in collaboration with Bollywood Veggies, a 10-acre organic and planet-friendly farm located in the countryside that practises sustainable farming, and Bollywood Adventures, a local events start-up that makes agriculture and farms accessible and appealing to urbanites of all ages. Manda Foo, founder and owner of Bollywood Adventures, "walked" the team through an 11-minute virtual guided tour of the farm. In the 360-degree virtual video tour, she introduced 17 plants grown on the farm, including local vegetables, fruits and flowers. Through this video, participants got a comprehensive view of the farm. To round off the programme, Manda guided the teams at home through building their very own terrarium, explaining what a terrarium is, how to construct one and how to care for it.

# DIVERSITY & INCLUSION: TOGETHER, WE DRIVE CHANGE

We understand how important it is to recognise the different backgrounds, life experiences and cultures among our staff; embracing this diversity helps us better serve the needs of our clients and contribute to an inclusive and high-performing workplace.

Diversity fosters creativity, and better decision-making, drives innovation and enriches our talent pool. To this end, we see diversity and inclusion as a strategic priority and gender equality a cornerstone of our diversity agenda.

Over the last three years, we have made progress in reaching our gender diversity targets. While only 15% of women sat in Senior Management Positions in 2017, we have now reached 28%. We exceeded our ambition of 30% of women in BNPP AM boards: we reached 38% by the end of 2020, versus 21% in 2018 and we have recently re-evaluated our ambition and now want to reach gender parity on our boards as soon as possible.

Here are some of our other accomplishments in 2020:

- we hired a manager of diversity and inclusion to develop and implement a firm-wide approach to diversity and inclusion,
- we hosted a number of workshops and webinars on diversity & inclusion issues,
- we made unconscious bias training compulsory for all employees,
- we launched PRIDE@AM, an employee resource group for the LGBT+ community.

## BNPP AM AUSTRALIA TEAMS UP WITH FINANCIAL EXECUTIVE WOMEN

We partnered with **Financial Executive Women (FEW)**, an Australian organisation that advocates for the career progression of women in financial services. FEW provides a deep community and digital platform for women who are progressing their careers and want access to strong peer support networks, group mentoring and tools that will help develop their careers every day. A core pillar of FEW's offering is a structured Career Advocacy Programme that boasts some of the most senior leaders in the financial services industry as advocates who want to "pay it forward" and mentor FEW members.

One of the programmes we will be participating in is "FEW Good Men", which offers FEW members at senior levels guidance, support and experience from the "good men" in the industry through the Career Advocacy Programme. David Grybas, Chief Executive Officer, John Jardim, Head of Institutional Distribution and James Langlands, Head of Wholesale Distribution have all joined the FEW Good Men programme.

In Australia, women make up more than 50% of the BNP Paribas Asset Management team, and 40% of roles at the executive level.



**"The diversity we have at this company is amazing, with more than 70 nationalities amongst our workforce. It is truly exceptional, with multiple cultures working together. I believe that diversity is crucial if we are to innovate and effectively represent the diverse range of clients that we serve."**

### Monica Marzinotto

Head of Investment Specialists for Private Debt and Real Assets

→ DISCOVER HOW MONICA DRIVES SUSTAINABILITY

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# HELPING YOUNG PEOPLE OVERCOME BARRIERS TO SUCCESS

Our goal is to help young people facing systemic barriers succeed where they otherwise might not have. That means helping them gain the self-confidence they need through mentorships, or the vital job experience they need through internships. While our volunteer efforts are wide-ranging, we focus many of them on helping young people.

## LONDON YOUTH

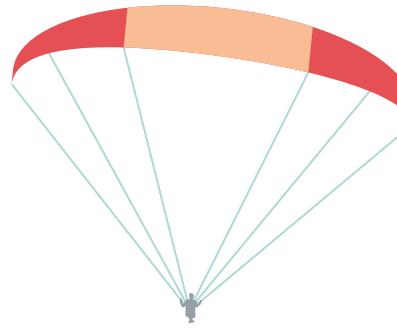
We were pleased to develop a new partnership with [London Youth](#) in which we will participate in their HeadStart Action programme. The programme is meant to inspire young people at risk of becoming not employed or not in school through employer encounters and internships that provide skills, experience and connections. We are looking forward to hosting five interns at our offices in London in the summer of 2021 through this programme.

## DIGITAL MENTORING

Our team partnered with [Financial Industry Collective Outreach \(FINCO\)](#), a collaborative initiative pioneered by financial institutions in Malaysia, to provide underprivileged children and young people with the guidance and educational tools they need to achieve their life goals. Our employees adapted to the pandemic and participated in virtual volunteering mentoring programs and "Student Resume Writing via Whatsapp" with the objective of enabling high school students to produce a resume that is customised to a job that they want to apply for. Weekly "FincoReads" virtual reading sessions with school children were also organised to show them how inspiring women leaders can encourage students to dream big and potentially spark life-changing career decisions.

## TACKLING THE DIGITAL DIVIDE

This very unusual period of lockdown has highlighted the digital divide between different territories of France. Faced with this situation, six BNPP AM employees met to combine their skills and network and launched the Save My School Life initiative to help curb the risk of students dropping out due to limited access to digital technology. We supported this initiative by connecting it to an internal challenge around data information and security – for every employee who participated in the challenge, we increased our donation to Save My School Life. This mobilisation ended up financing tablets, laptops and printers to equip primary and secondary school students in two Paris suburban schools.



## HELPING HANDS IN LUXEMBOURG

Our legal teams engage in ongoing work to support the communities we operate in. In Luxembourg, members of our legal team worked with refugees to provide them with information on their rights, labour law, entrepreneurship, and women's and LGBTQ rights. One employee was a year-long mentor to a young person who arrived as a refugee from Afghanistan through **Léieren & Savoir's mentorship programme**. Another employee worked with **MicroLux**, the Luxembourg micro-financing institution, to provide training on legal topics to micro-entrepreneurs.

In addition to pro bono work, employees participated in the **Jonk Entrepreneuren** programme designed to inspire students to create their own small business. In this year-long programme, one employee coached a team of three young women who wanted to democratise the installation of women's hygienic product dispensers in schools and companies throughout Luxembourg.



We spend a lot of time at work and it can be easy to forget that there are people in society a lot less fortunate than us. I don't want to lose sight of this and at the same time, I want to have a meaningful work life and personal life. By volunteering my time, I get to pass on some of my knowledge and energy while helping others build stronger foundations in their lives. I encourage others to give back as well – I'm sure you'll feel great doing it!"

### Guillaume Debauve

Fund Legal Officer, BNP Paribas Asset Management, Luxembourg

While we have a long history of volunteering in the community, we have used the BNP Paribas Group's 1MillionHours2Help volunteering initiative – where we have committed to volunteering 1 million hours a year across the entire BNP Paribas Group – as an opportunity to leverage our support. We had to adapt many of our volunteering activities because of Covid-19, but that didn't make the need any less.

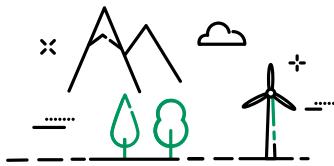


#1MillionHours2Help



## OUR ENVIRONMENTAL DATA

WORLDWIDE OFFICE BUILDINGS	2018	2019	2020
ENERGY CONSUMPTION (MILLIONS OF KWH)	14.8	14.5	9.3
GREENHOUSE GAS EMISSIONS (TCO <sub>2</sub> EQ)	2,059	2,078	1,384
WORLDWIDE BUSINESS TRAVEL	2018	2019	2020
DISTANCE (MILLIONS OF KM)	22.9	19.8	6
GREENHOUSE GAS EMISSIONS (TCO <sub>2</sub> EQ)	3,554	2,911	0,909



BNP Paribas, which includes the operational activities of BNPP AM, has been carbon neutral since 2017.

## OUR SOCIAL DATA

### Staff Numbers

FTE	2018	2019	2020
PERMANENT CONTRACTS	2,537	2,384	2,322
FIXED-TERM CONTRACTS	81	54	43
JOINT VENTURE PERSONNEL	671	691	702
<b>TOTAL</b>	<b>3,289</b>	<b>3,129</b>	<b>3,067</b>



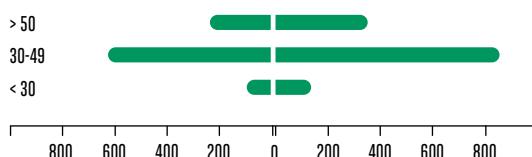
**WOMEN**  
42%



**MEN**  
58%

The average age of BNP Paribas Asset Management employees is 43

**WOMEN**      **MEN**



### Breakdown by Region



**SOUTH AMERICA**  
**5.5%**



**NORTH AMERICA**  
**4.1%**



**EUROPE**  
(excluding France)  
**25.9%**

**EASTERN EUROPE,  
MIDDLE EAST  
AND AFRICA**  
**0.7%**

**FRANCE**  
**32%**

**ASIA-PACIFIC**  
**30%**

**Number of Training Hours\***

2020      13,100  
2019      12,238  
2018      14,092

**Number of Employees Trained\***

2020      676  
2019      640  
2018      731

\*UES BNP Paribas Asset Management France scope

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investor for a  
changing world