

For professional investors only

SUSTAINABLE FINANCE POLICY

UNDERSTANDING THE IMPACT FOR COMPANIES AND INVESTORS



HELENA VIÑES FIESTAS

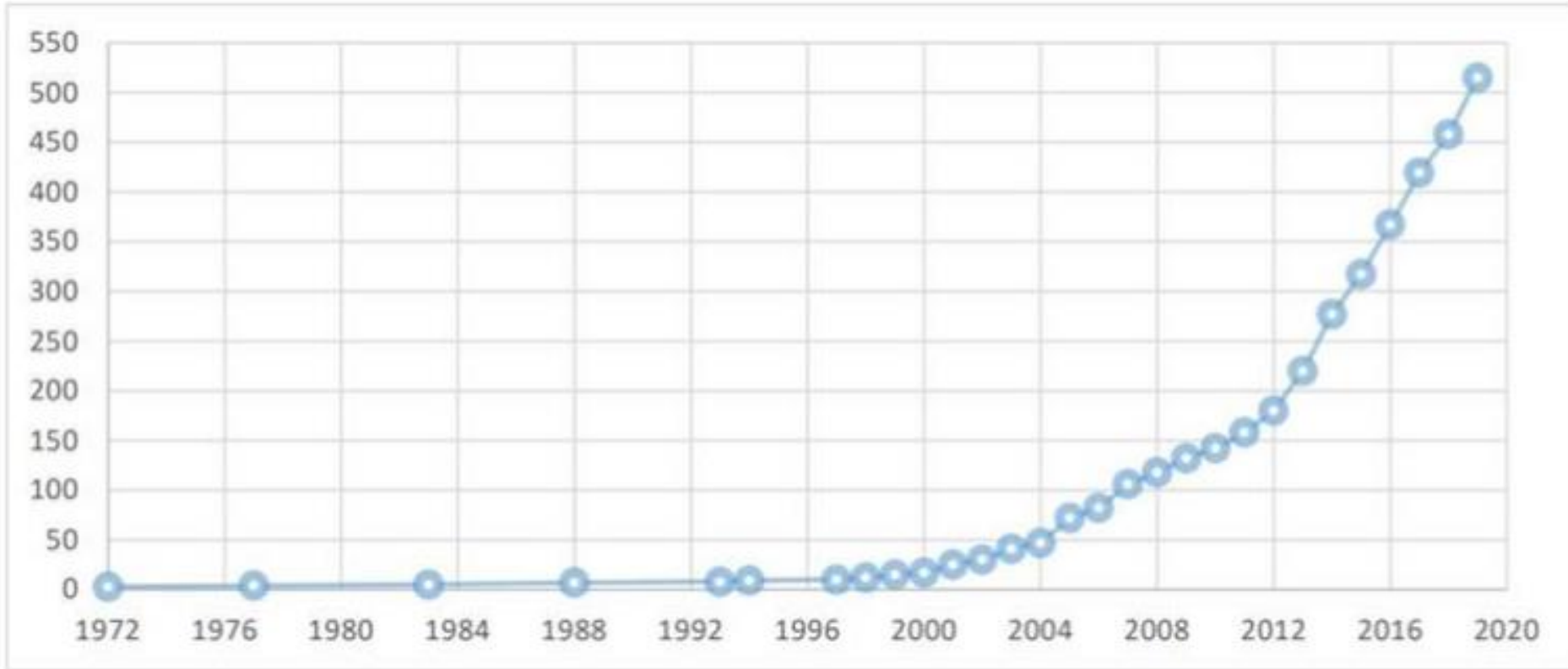
Brussels, 21 January 2020



BNP PARIBAS
ASSET MANAGEMENT

The asset manager for a changing world

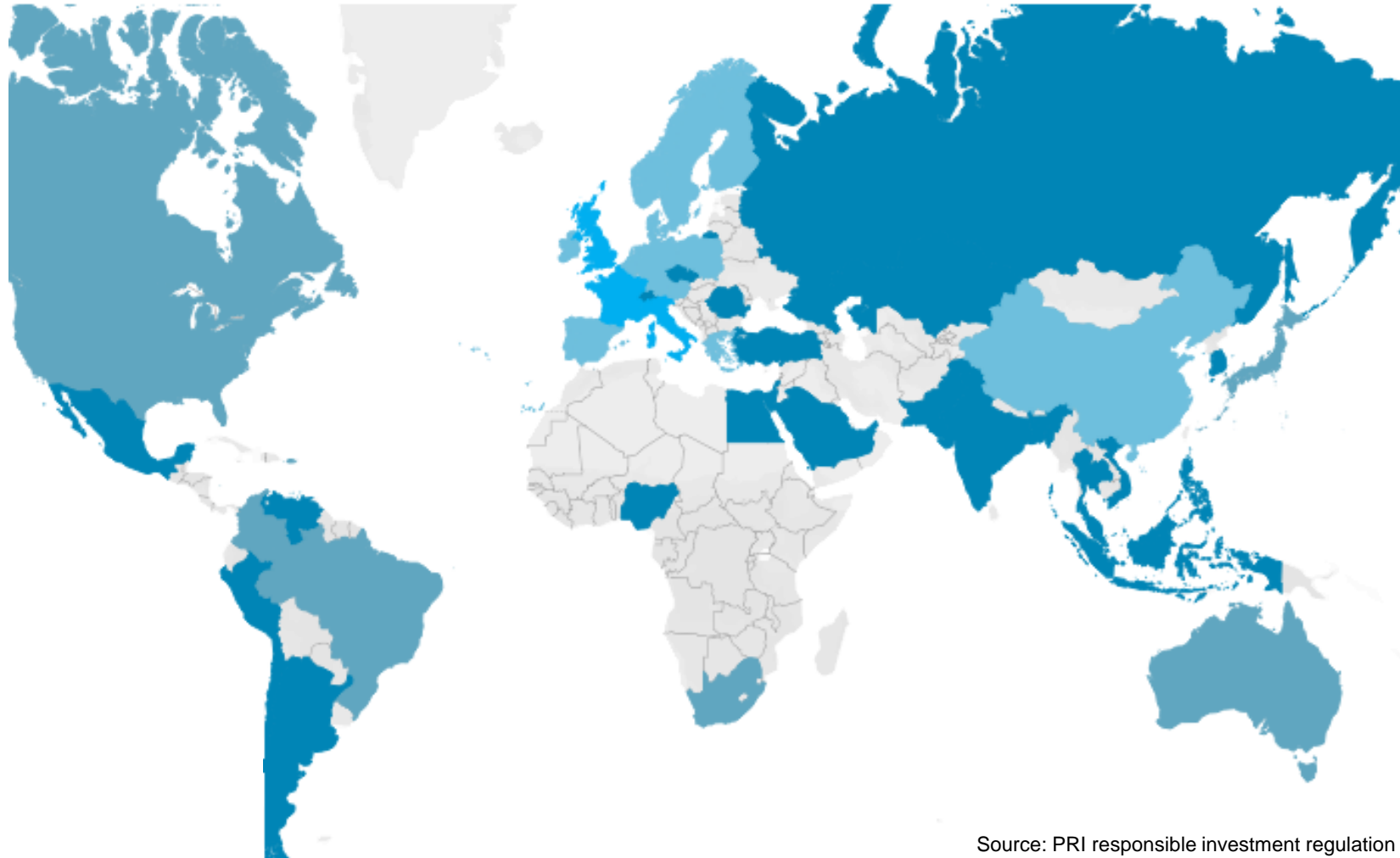
self



*'So much for self-regulation!
You promised you were only
going to have two pints!*

Source: PRI responsible investment regulation database available at www.unpri.org/sustainable-markets/regulation-map

The regulation map: cumulative number of policy interventions

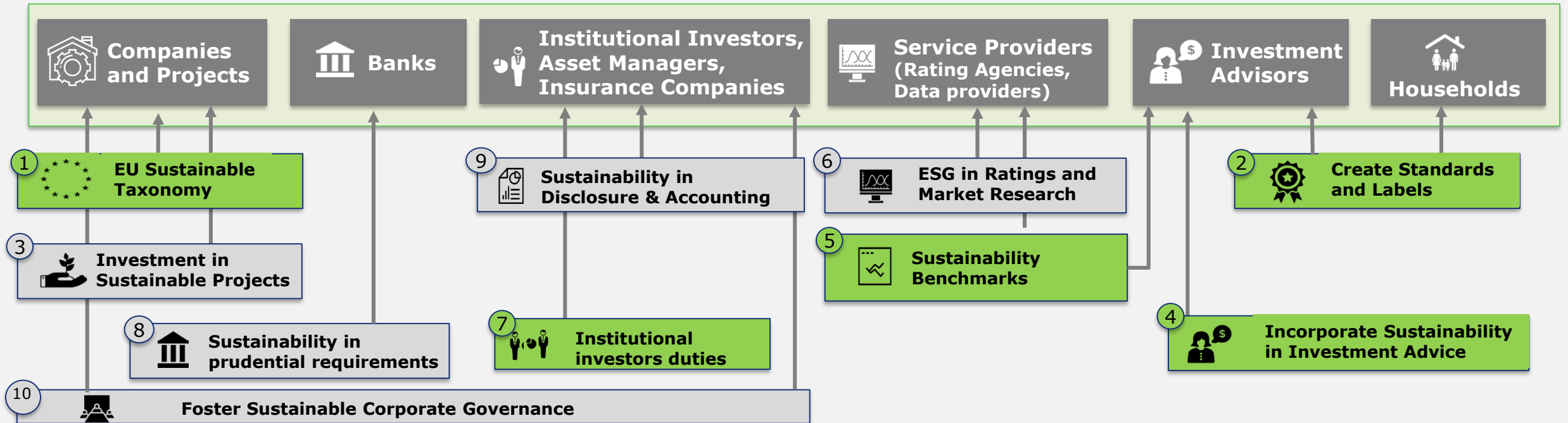



- ESG pension funds
- Stewardship codes
- ESG integration beyond PFs
- Corporate disclosure guidelines

Source: PRI responsible investment regulation database available at www.unpri.org/sustainable-markets/regulation-map

Action Plan on Financing Sustainable Growth

Mapping and links of the 10 actions along the investment chain



1  **Reorienting capital flows** towards sustainable investment

2  **Mainstreaming Sustainability into risk Management**

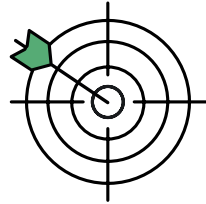
3  **Fostering transparency and Long-termism**

EU Taxonomy

The Platform on Sustainable Finance



International Platform
Brown and/or Social
Taxonomies



The taxonomy **expands the investment universe** as it includes transitioning activities e.g. aluminium or cement



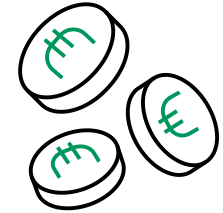
Taxonomy will be the base for the coming Ecolabel (2020), the EU Green Bond Standard and for **standards and labels** at national level set on green investments



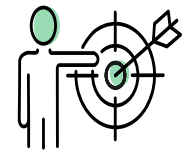
Traditionally believed **green activities will be scrutinised**. Criteria for some activities are stricter; and DNSH offers an opportunity to address “trade-offs”



A global taxonomy with a shared spirit, framework and methodology, adapted thresholds and criteria where needed



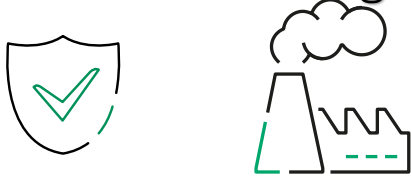
The **greatest opportunities lie in debt and lending-related** products that allow to ring-fence funding



Encourage companies to truly transition and be more sustainable. Sends a clear signal about climate targets, stakeholders' expectations & on environmental disclosures

A few reflections

Common definition of what is environmentally sustainable and transitioning



6 environmental objectives, SC & DNSH, defining environmental sustainable activities (and transition activities)

Mandatory disclosures for all types of investment products



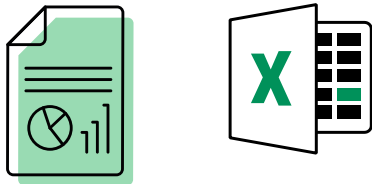
Thematic, ESG and “mainstream. Comply and/or explain. ESG risks plus adverse impacts. In addition to disclosures **at firm-level**

ESG disclosures and incentives for Benchmarks, CTP and PAB



The role (and regulation) of data providers and benchmark providers becomes critical in a context of mandatory reporting and market concentration

Mandatory ESG preferences in investment advice



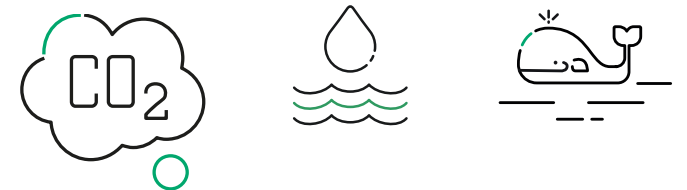
The development of standards and pan-European labels have started with EU GBS and Ecolabel

Stewardships codes and EU SRD II



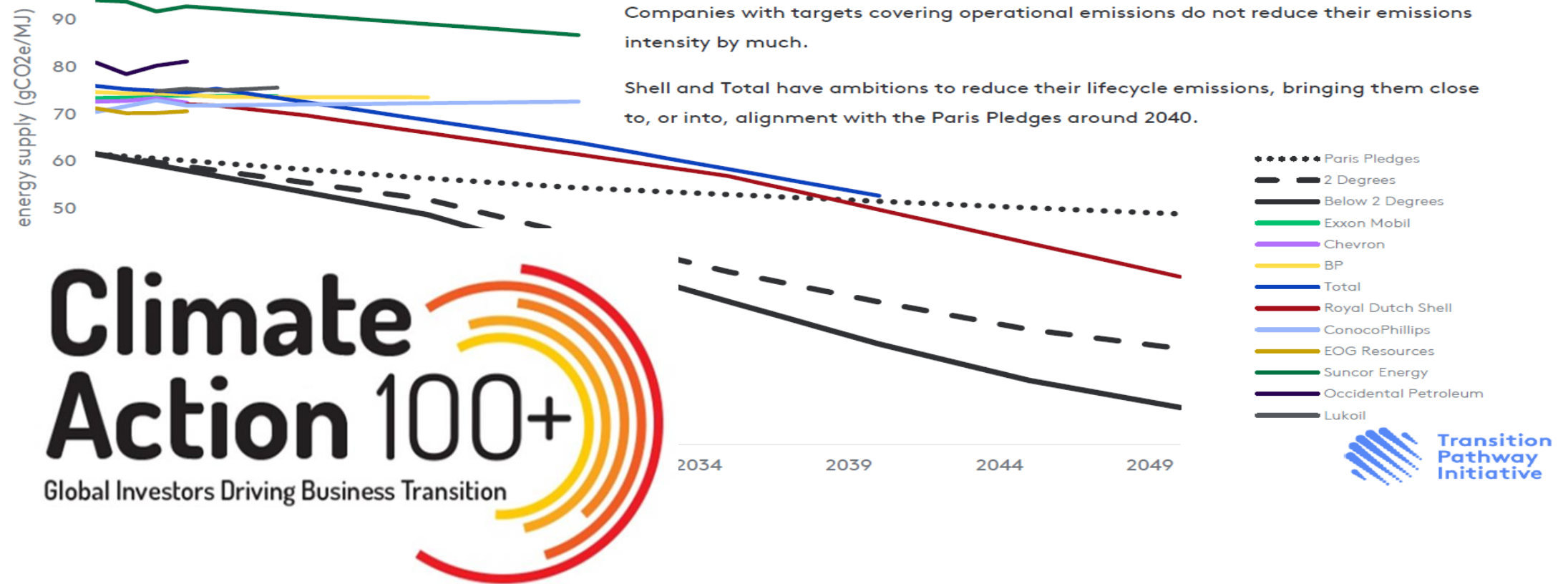
Mandatory Stewardship policy, active ESG engagement and voting (“say on pay”). Transparency on voting and proxy advisor policies.

Alignment between investors & corporate disclosures: NFRD revision



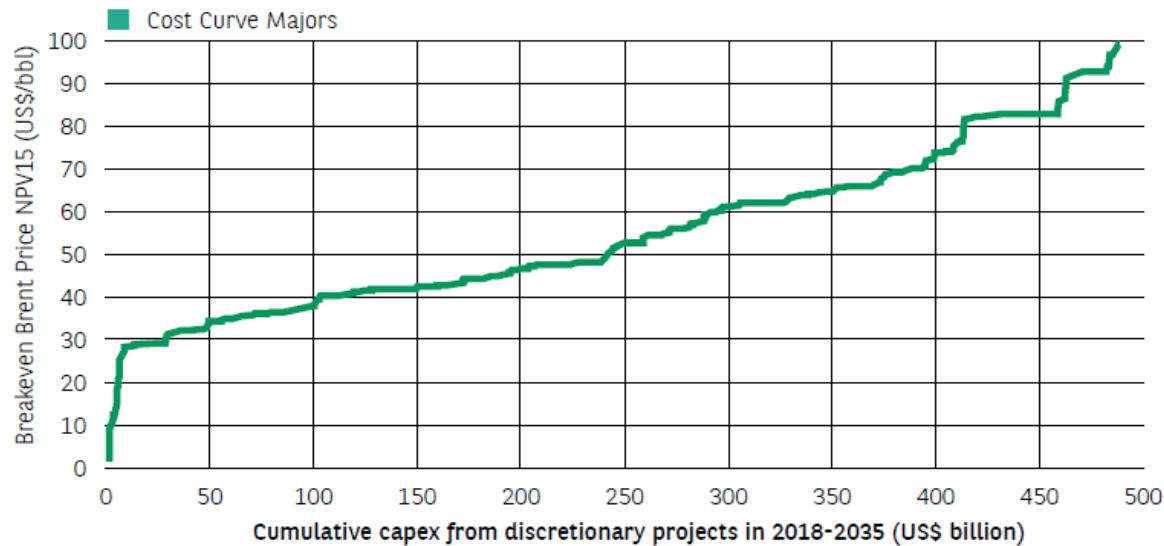
Data availability and quality will determine the pace of growth of sustainable finance, but critically, the IMPACT on companies

Investor collective action: Climate Action 100+, Transition Pathway Initiative

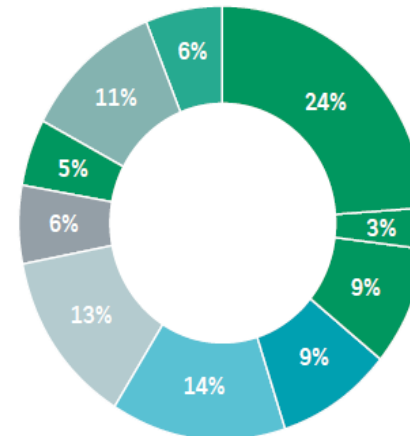
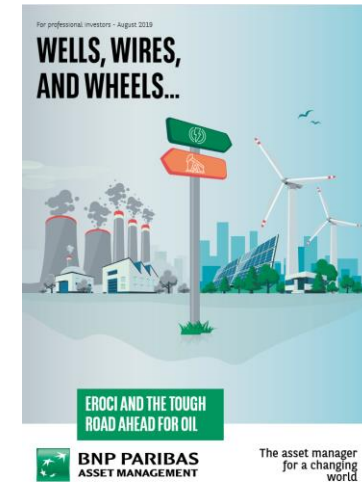


Investors' concerns on stranded assets

Collective Collective pre-capex breakevens for oil majors, 2018-35



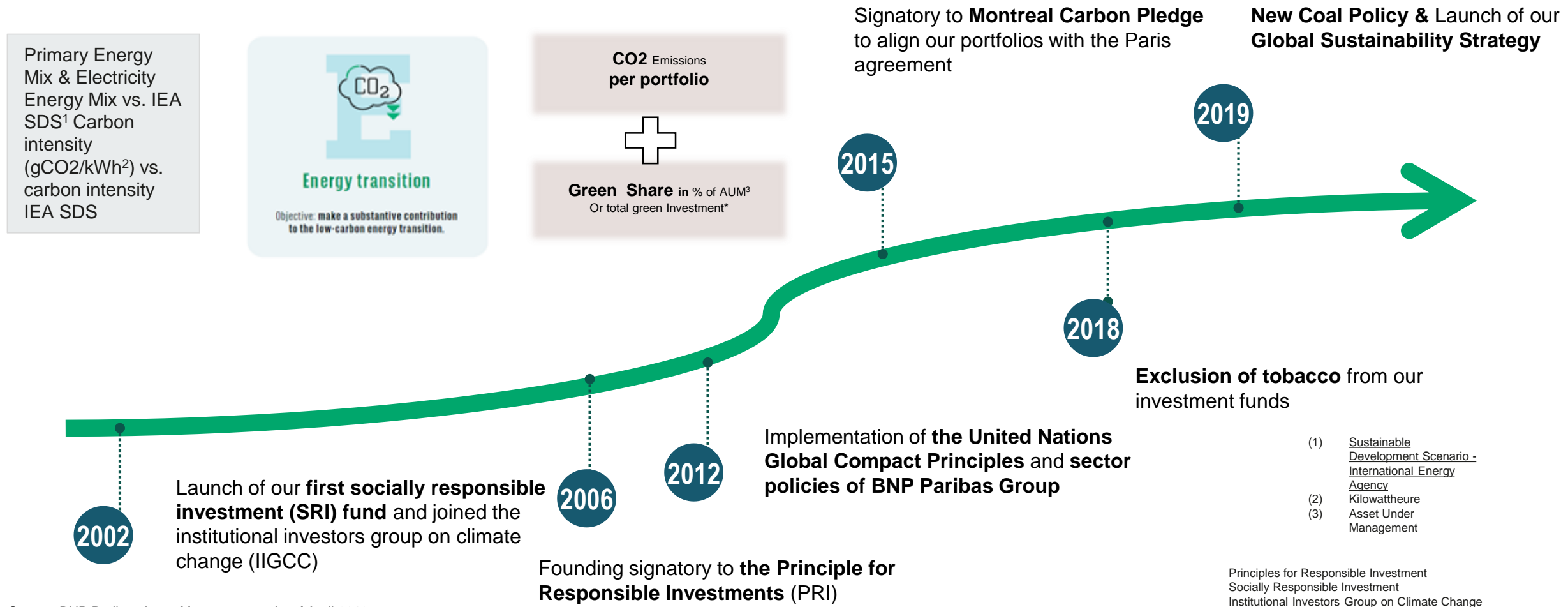
Source: Deutsche Bank, Wood MacKenzie, 2019. *Exxon, Chevron, Royal Dutch Shell, BP, Total, ENI, Equinor.



- Cars and other LDVs gasoline
- Cars and other LDVs diesel
- Light-and-mid-heavy road transportation
- Other heavy road transportation
- Aviation & marine
- Petrochemicals
- Industry
- Power
- Residential/commercial/agricultural
- Other



Committed to align our portfolios to the Paris Agreement Goal



Source: BNP Paribas Asset Management - As of April 2019

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The performance data, as applicable, reflected in this material, do not take into account the commissions, costs incurred on the issue and redemption and taxes.

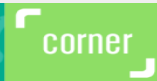
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	AMF Doctrines	EU Taxonomy (Jan. 2022 – Jan.2023)	EU Disclosures Regulation (Q1 2021 –sept. 2022)
“Thematic funds” (environmental or social objectives)	<ul style="list-style-type: none"> N/A 	Financial products will need to include: <ul style="list-style-type: none"> Description of how and to what extent investments are invested in environmentally sustainable economic activities. Share of investments in environmentally sustainable economic activities, including details on proportions of enabling and transition activities 	<ul style="list-style-type: none"> Ex-ante & ex-post (reporting ESG) How objective/characteristics are attained + information on why and how the reference benchmark is consistent/aligned Description of the extent to which the characteristics are attained or on the impact of the product through relevant indicators. Description of the characteristics/objective + information on methodologies used to assess, measure and monitor characteristics/impact Specific indicators/technical standards will be provided. Specific requirements for funds that claim to reduce their carbon emissions
ESG products (environmental or social characteristics)	<ul style="list-style-type: none"> Under discussion but will establish set of compulsory requirements for all ESG marketed products Potentially min. % of exclusion and/or % better ESG score than benchmark after % exclusion 	<ul style="list-style-type: none"> Same rule as for thematic funds applies, but there is an option that only part of your fund seeks to make an “E” or “S” contribution. If so, the following disclaimer needs to be added in the different materials “ the remaining investments do not take into account the EU criteria for environmentally sustainable investments”. 	<ul style="list-style-type: none"> Information ex-ante & ex- post (ESG reporting) Idem above.
Rest of products – mainstream	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Mandatory to add: “<i>The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable investments.</i>” 	<ul style="list-style-type: none"> Are ESG risks integrated in investment decisions and the resulting financial impact (comply or explain) Explain if and how adverse sustainability impacts are taken into account
Other impacts	<ul style="list-style-type: none"> CO₂ reporting TRS – derivatives Fonds monetaires, real estate 	<ul style="list-style-type: none"> Future Ecolabel, and national green labels to use taxonomy as base. 	Reporting at firm-level: <ol style="list-style-type: none"> ESG risk Adverse impacts on sustainability <ul style="list-style-type: none"> (minimum disclosures requirements including policies, engagement, etc). – 2 technical standards to be provided by ESAs. (disclosure re. remuneration & ESG risk integration)