

# SFDR Disclosure Statement: Sustainable Risk Integration and PAI Considerations

Alfred Berg Kapitalforvaltning AS

This statement refers to the REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures (SFDR) in the financial services sector. Related parts of the Regulation can also be found in our Remuneration Policy.

PAI: Principal Adverse Impacts.

December 2022

# 1. Introduction

At Alfred Berg Kapitalforvaltning (Alfred Berg) we believe that our fiduciary duty is aligned with sustainable investment and that we have a duty to our clients to make well-informed investment decisions: ESG (environmental, social and governance) factors are a key element of this. We also seek to consider the sustainability-related preferences of our clients, and to minimize the adverse impacts of our investments by using our investments, our voice and our leverage to help shape a better future. However, this does not mean that all the investment products we distribute are article 8 or article 9 under the SFDR regulation.

Alfred Berg is majority owned by BNP Paribas Asset Management (BNPP AM). Alfred Berg has adopted the major principles of BNPP AMs ESG policies and guidelines, adjusted for local market practices. BNPP AM has been active in sustainable investment since 2002, when BNPP AM launched its first socially responsible investment (SRI) fund and set up a dedicated ESG research team – the precursor of their Sustainability Centre. BNPP AM was a founding signatory of the Principles for Responsible Investment (PRI) in 2006. Since then, BNPP AM has strived to implement all six principles with increasing effectiveness, and continue to develop our approach, regularly reporting on their achievements in terms of meeting the goals of the PRI.

In 2011, BNPP AM established their first Responsible Investment Policy, based on both responsible ownership and the progressive integration of ESG considerations. This included responsible business conduct requirements based on the UN Global Compact (UNGC) Principles in the selection of issuers, as well as in-house sector policies to monitor our investments in sensitive sectors.

In 2019, BNPP AM published their [Global Sustainability Strategy \(GSS\)](#), which establishes a roadmap for putting sustainable investment at the heart of our investment approach. This includes progressively aligning our portfolios with the aims of the Paris Agreement, and sets out the three key thematic pillars of our sustainability efforts, or the ‘3Es’: Energy transition, Environmental sustainability and Equality and inclusive growth. These themes inform both BNPP AMs and Alfred Berg’s strategic research agenda, thematic investments and corporate engagement. Our approach reflects the systemic changes necessary to achieve sustainable and inclusive economic growth.

Alfred Berg integrate the key pillars of sustainable investment defined in BNPP AMs GSS, a critical component of which is ESG integration, i.e. having our analysts and portfolio managers incorporate relevant ESG factors into their evaluation of companies or assets, and investment decision-making processes. The other pillars are Stewardship (voting, engagement), Responsible Business Conduct Expectations (including our exclusion list), and a Forward-Looking Perspective (focusing on shaping a more sustainable future).

While our Responsible Business Conduct (RBC) Policy aims to minimize the principal adverse impacts of our investments on society and the environment, our ESG integration approach also focuses on ESG sustainability risks in our portfolios. The division of ESG factors into material sustainability risks and adverse impacts is not always clear-cut, making it difficult at times to categorize them at the firm level. The application of ESG analysis and Stewardship activity to a portfolio, for example, can result in improvements to corporate behavior, and though the exclusion of a company from a portfolio for violation of our RBC Policy may not reduce societal impacts, it may protect the portfolio from related risks. Ultimately, the materiality of an ESG risk will depend on the investment strategy, timeframe of the investment, underlying investment universe, as well as other factors.

Within the scope of the investments we propose to our clients, Alfred Berg and BNPP AM have strategies that correspond to article 8, to article 9 and we also have some strategies that are neither article 8 or 9. This statement is organized in two parts:

- The first section provides an overview of how we integrate sustainability risks in investment decisions and investment advice.
- The second addresses principal adverse impacts and our due diligence process.

# PART 1.

## SUSTAINABILITY RISKS

We believe that analyzing investments using environmental, social and governance (ESG) criteria helps us take into account a wider set of risks and opportunities, which in turn, helps us make better-informed investment decisions; in other words, our fiduciary duty is aligned with sustainable investment. Sustainability is imperfectly understood, under-researched and inefficiently priced, with inconsistent levels of disclosure. Against this background, ESG integration aims to help us achieve better risk-adjusted returns, as systematically and explicitly integrating ESG factors into our investment analysis and decision-making allows our portfolio managers to identify and assess areas of risk or opportunity, which may not be understood by all market participants, thereby may provide them with a relative advantage.

This first part of our SFDR Statement gives an overview of:

1. Our sustainable investment approach
2. Our ESG scoring process
3. How we analyze ESG factors and assess their materiality
4. Asset-class specificities of our ESG integration process

### 1.1 Sustainable investment approach

Alfred Berg adopts a sustainable approach across the range of our investment strategies and when providing financial advice, as discussed below:

1. **ESG Integration:** Our ESG Integration Guidelines apply to the vast majority of our investment processes (and therefore funds, mandates and thematic funds). However, these may not apply for specific products such as index funds or single-client dedicated products. Some index funds do apply specific sustainable investment practices such as a low-carbon, thematic or Socially Responsible Investment (SRI) approach.
2. **Stewardship (proxy voting, engagement and public policy):** Shareholder engagement and public policy advocacy activities are undertaken on behalf of most of our assets under management, with a strong focus on addressing adverse impacts to society and the environment from corporations and other market participants. Please see our 2022 Governance and Voting Policy, 2022 Stewardship Policy, and 2021 Voting Report.
3. **Responsible Business Conduct (RBC) policies and sector-based exclusions:** We apply these policies to our actively managed open-ended mutual funds. We review and update these policies regularly to reflect the changing understanding of science, societal expectations and market realities. Since 2023, the application of our RBC Policy will become the default approach for new mandates, and we will work with our clients to apply the policy to current mandates.
4. **Forward-looking perspective – the ‘3Es’ (Energy transition, Environmental sustainability, Equality & inclusive growth):** As set out in Part II of BNPP AMs GSS, we will measure our exposure to a number of key issues across our full assets under management, and undertake related research and engagement, in support of all investment processes. BNPP AMs Global Sustainability Strategy outlines in detail our roadmap and commitments, including our targets for each of the Es.
5. **Walking the Talk:** We also have a strong focus on ‘walking the talk’ – our corporate social responsibility strategy seeks to ensure that we exhibit the same commitment to responsible business conduct and the 3Es that we expect from the companies that we invest in.

We recognize that systemic risks such as climate change or biodiversity loss cannot be fully addressed through ESG integration in portfolio management. Our Stewardship activities, RBC policies and strategy with regard to the 3Es complement and amplify our efforts to reduce material risks to investments, as well as systemic risks that require collective and urgent action.

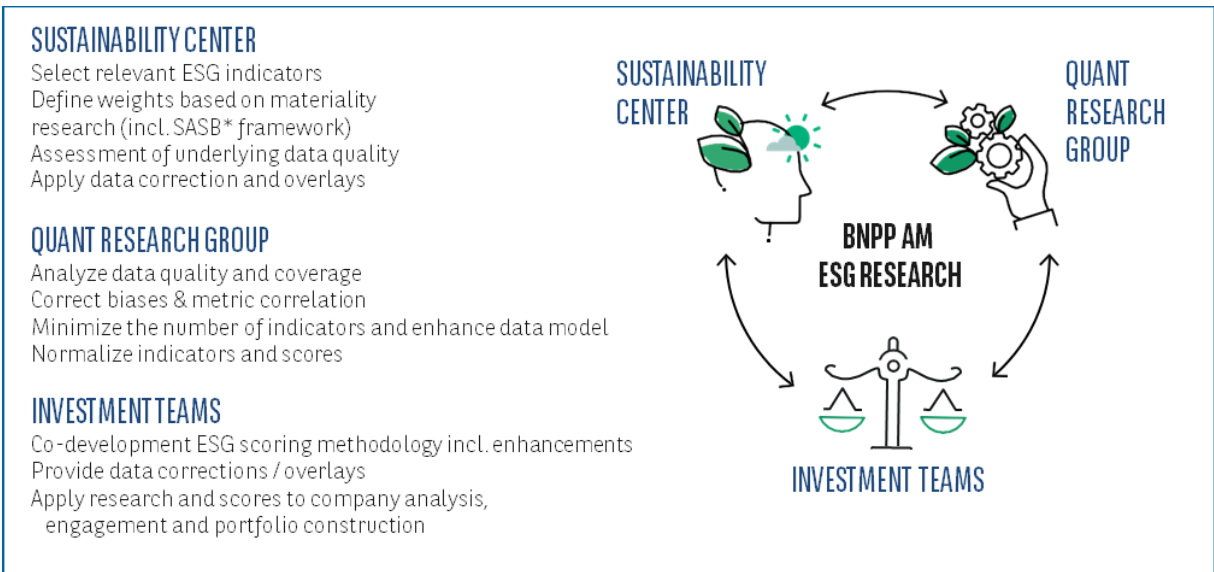
Together, these approaches strengthen the way we invest, including how we generate investment ideas, construct optimal portfolios, control for risk, and use our influence with companies and markets.

|                                        | Funds | Mandates                | SRI and Impact Funds | Index Funds |
|----------------------------------------|-------|-------------------------|----------------------|-------------|
| Stewardship                            | ✓     | ✓                       | ✓                    | ✓           |
| ESG Integration                        | ✓     | ✓                       | ✓                    | ✗           |
| Responsible Business Conduct           | ✓     | Client opt-out possible | ✓                    | ✗           |
| Forward-Looking Perspective: The '3Es' | ✓     | ✓                       | ✓                    | ✓           |

Note: Similar to 'Index Funds & ETFs', some systematic strategy funds may not apply ESG integration at the strategy level or RBC exclusions. Further information on each of these components can be found in the [GSS](#).

## 1.2 ESG scoring process

Underpinning our sustainable investment approach, Alfred Berg has adopted BNPP AMs ESG scoring framework. BNPP AM chose to build their own proprietary ESG scoring framework to ensure that ESG scores are tailored to our common needs and because we believe in the merits of looking beyond a headline ESG score to evaluate individual metrics and components that can be valuable sources of insight into investment risk and opportunities. BNPP AM apply an additional layer of data quality and control to the underlying metrics they source from third parties to narrow focus to the indicators which they deem to have sufficient coverage, quality and insight. BNPP AM also implement corrections and qualitative overlays to correct data, update it or infuse it with our first-hand knowledge and insights.



Covering more than 13,000 issuers of securities, BNPP AMs scoring process provides insights that

help our portfolio managers pinpoint a company's performance on material ESG issues, and integrate these into their investment decisions. Compared to other frameworks, BNPP AMs methodology is markedly differentiated, with a more focused number of ESG metrics, and a clear preference for 'performance' over 'policy' indicators.

### 1.3 ESG factors analyzed and how materiality is rated

BNPP AMs team of ESG analysts and specialists carries out systematic ESG research on issuers in our investment universe. The sector-specific ESG research covers a broad range of potentially material risks, including systemic risks to the environment and society, from climate change and incidences of bribery and corruption, to consumer privacy breaches.

ESG analysts and Alfred Berg Compliance are in charge of assessing each company's ESG performance and monitoring compliance with the Responsible Business Conduct Policy.

Our research culminates in a proprietary ESG performance score for each company, with these scores accessible to relevant portfolio management teams. In addition, investment teams receive updates to the list of issuers that fail to meet the standards set out in our RBC Policy and are therefore ineligible for investment in actively managed portfolios. A 'watch list' of names that may become ineligible for investment following engagement is also shared; these names are ineligible for investment in some of our strategies.

Recognizing that ESG risks and opportunities are not always comparable between sectors and regions, our scoring framework divides the issuers covered into 20 sectors and 4 geographic areas, creating 80 groups of geographic and sector peers.

We apply the precautionary principle when identifying ESG risks in our ESG analysis and rating: If a 'risk' is defined as a negative event that may or may not occur sometime in the future, then biodiversity loss and climate change should properly be viewed as 'threats', not 'risks.' There is a great deal of uncertainty regarding how these issues may play out, and how negative and far-reaching the outcomes will be, but it is quite clear that 'business as usual' will lead us to economic and ecological disaster, and we must change course.

In other words, it is difficult to obtain evidence for the financial impact that threats to the environment may have before the damage occurs, primarily due to the vastly different timeframes at play: by the time an environmental risk becomes financially material to a company, it may be too late to reverse the damage to the environment. The situation is similar for a number of social aspects. The uncertainty and difficulty in measuring the impact that surrounds – at least today – environmental and social harm should not be used as an excuse for not taking action to avert related threats.

To arrive at ESG scores that provide useful investment insights, BNPP AM select metrics and weights within the ESG scoring framework using three criteria:

1. **Materiality:** They reward companies that score highly on ESG issues that are material to their business, based on the expertise from the Sustainability Centre, as well as frameworks such as SASB and empirical studies
2. **Measurability and insight:** They give preference to performance or numeric metrics over policies or programs
3. **Data quality and availability:** They favor metrics for which data is of reasonable quality and readily available so that they can compare issuers fairly

## BNPP AMs Materiality Heat Map

BNPP AM group the individual metrics in the ESG scoring framework into 11 common themes; however, the underlying metrics used to assess performance under each theme vary by sector. The materiality Heat Map below provides a visual representation of the weights applied to each theme for each sector in the scoring model. A darker shade of green indicates a higher weight, and a lighter shade of green a lower weight.

|                                             | Environment Pillar        |                                          |                                                                   |                                  | Social Pillar                      |                            |                                  |                          | Governance Pillar           |                                       |                                 |
|---------------------------------------------|---------------------------|------------------------------------------|-------------------------------------------------------------------|----------------------------------|------------------------------------|----------------------------|----------------------------------|--------------------------|-----------------------------|---------------------------------------|---------------------------------|
|                                             | Clim<br>ate<br>chan<br>ge | Environm<br>ental risk<br>managem<br>ent | Use of<br>natural<br>resource<br>s,<br>Emissio<br>ns and<br>Waste | Environm<br>en- tal<br>incidents | Human<br>capital<br>manage<br>ment | Healt<br>h &<br>Safet<br>y | Externa<br>l<br>Stakehol<br>ders | Social<br>indicien<br>ts | Corporat<br>e<br>Governance | Business<br>Ethics<br>Preparad<br>ess | Governa<br>nce<br>incident<br>s |
| Utilities                                   |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Energy                                      |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Real estate                                 |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Internet,<br>Content,<br>Software &<br>Svc  |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Infrastructure<br>&<br>Platform<br>Enablers |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Financials                                  |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Food, Beverage<br>& Tobacco                 |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Household &<br>Personal<br>Products         |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Food & Staples<br>Retailing                 |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Metals, Mining,<br>Construction             |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Other Materials<br>(chemicals, ...)         |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Commercial &<br>Professional<br>Services    |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Transportation                              |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Capital Goods                               |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Automobiles                                 |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Luxury &<br>Leisure                         |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Retailing                                   |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Consumer<br>services                        |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Healthcare                                  |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |
| Pharma                                      |                           |                                          |                                                                   |                                  |                                    |                            |                                  |                          |                             |                                       |                                 |

## Sovereigns

BNPP AM ESG scoring for sovereigns provides a view on the ESG performance of a country and enables us to compare countries with different levels of economic development. In addition, it assesses countries' commitments concerning climate change as we aim to engage with them on this issue. Finally, similar to our company-scoring model, it incorporates qualitative inputs derived from investment teams' in-depth knowledge, and from dialogue and engagement with debt management officials and policymakers.

BNPP AMs Sovereign ESG data model has an equal weight for each of the E-pillar (14 themes), S-pillar (12 themes) and G-pillar (7 themes), comprising a total of 225 KPIs structured around 33 key themes.

## ESG and financial performance

We believe that unmanaged or unmitigated sustainability risks can impact the returns of financial products. Due to the nature of sustainability risks and specific topics such as climate change, the chance of sustainability risks impacting the returns of financial products is likely to increase over longer-term time horizons linked to increased incidence of both physical and transition-related risks.

Share prices of companies with strong sustainability practices typically demonstrate less volatility and have fewer large drawdowns. Specifically, adverse impacts from sustainability risks can affect companies via a range of mechanisms, such as 1) lower revenue; 2) higher costs; 3) damage to, or impairment of, asset value; 4) higher cost of capital; and 5) fines or regulatory risks<sup>1</sup>.

## 1.4 ESG integration process: overview and asset-class specificities

Analysts and portfolio managers integrate a consideration of relevant ESG factors into their company, asset and sovereign evaluation and investment decision-making or financial advice<sup>2</sup>. The process to integrate and embed ESG factors is guided by formal ESG Integration Guidelines, a set of common guidelines, and then by tailored approaches by asset class and/or investment strategy.

An example of a typical investment process



- **Investment Philosophy:** Investment strategies are guided by an investment philosophy, which is a set of underlying beliefs that influence investment teams when they are managing their funds. Relevant ESG considerations have been systematically integrated into investment philosophies across Alfred Berg/BNPP AM to ensure consistency.
- **Idea Generation:** At the idea generation stage, investment teams think broadly about future investment opportunities. Integrating ESG factors allows investment teams to include or discard opportunities based on ESG considerations. For example, some strategies identify

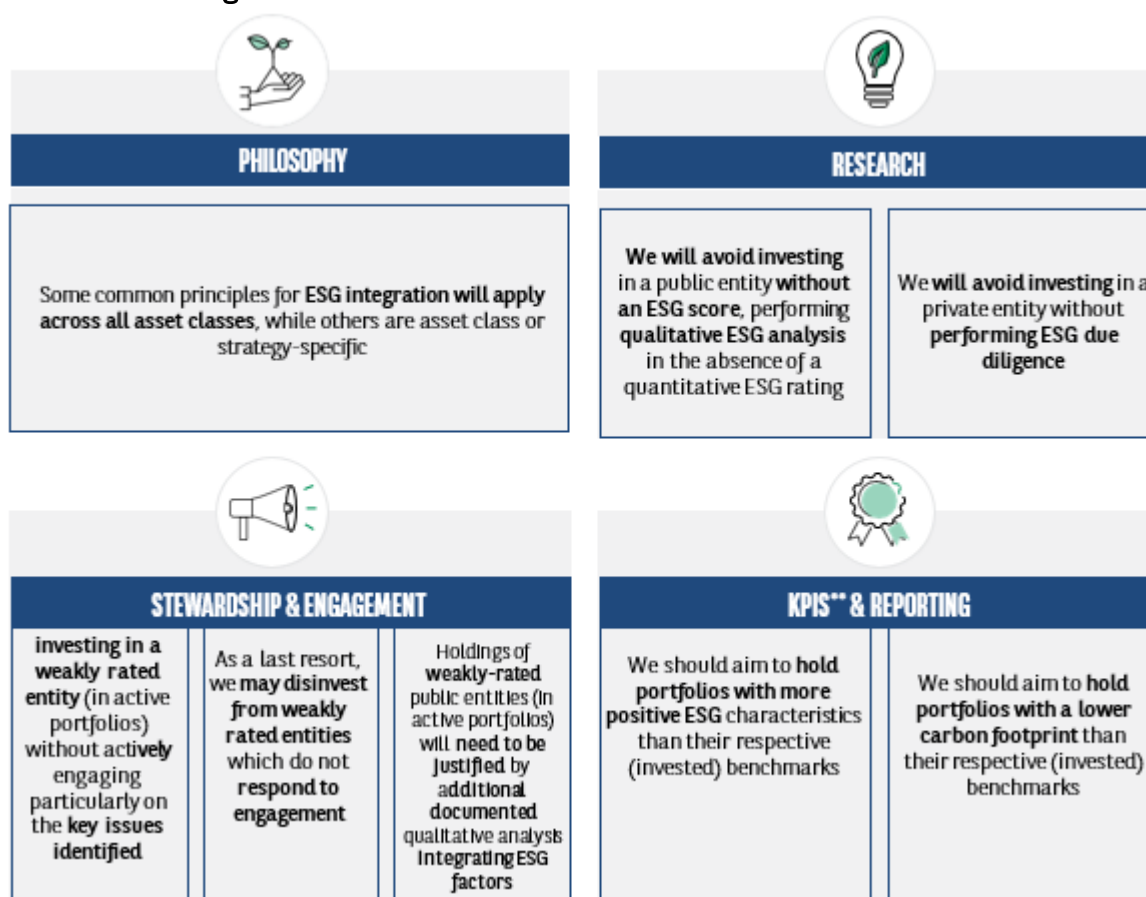
<sup>1</sup> For more information on transmission mechanisms and channels of impact, see: 1) NGFS First comprehensive report "A call for action", 2019; 2) the Sustainability Accounting Standards Board (SASB); 3) Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

<sup>2</sup> There may be exceptions when the process doesn't lend itself to ESG Integration (e.g. ETFs); see table on scope included in this document and our GSS.

- the highest-rated ESG entities in a universe as a priority for additional financial analysis.
- **Portfolio Construction:** ESG factors can be used in a number of ways at the portfolio construction stage, such as to screen companies, to overweight or underweight positions, or to tilt portfolios.
- Risk Management: We have a fiduciary duty to our clients to take all risks into consideration, including ESG or sustainability risks.
- **Voting & Engagement:** Proxy voting and engagement on governance and sustainability topics is typically led by the portfolio managers, while investment teams also include ESG topics in their ongoing company meetings.
- **Performance:** As per our ESG Integration Guidelines, we monitor the ESG score and carbon footprint of investments versus their benchmarks with the aim of outperforming on each. We report on these two KPIs to clients where they are available.

The process to integrate and embed ESG\* factors is guided by formal ESG Integration Guidelines, as outlined below.

### Common ESG Integration Guidelines



Source: Alfred Berg, December 2022

## 1.5 Scope of ESG integration process

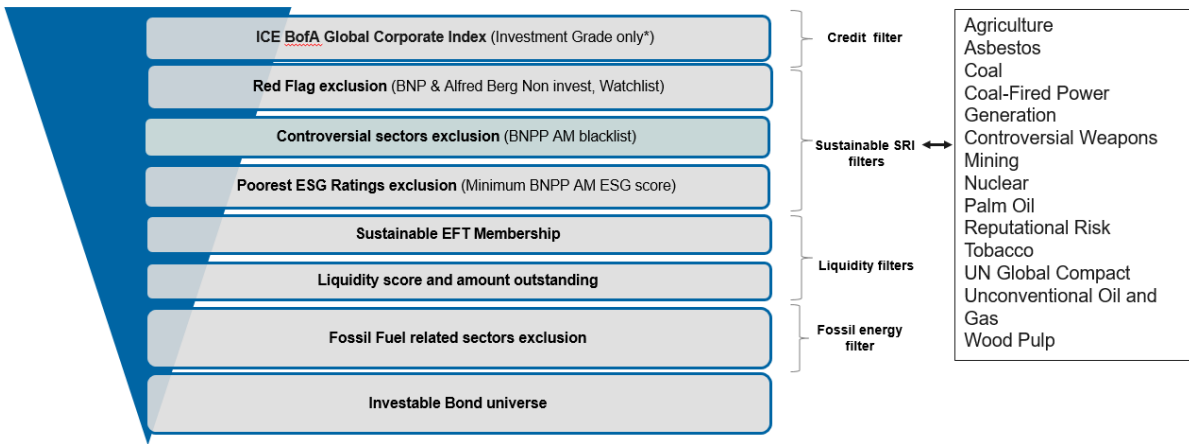
Our ESG Integration Guidelines apply across our investment processes (funds and mandates),

with the exception of specific products such as single-client products, mandates where clients have chosen to opt out of some elements of the ESG Integration Guidelines, and index funds replicating non-ESG related indices.

### 1.6 Practical example of ESG integration across asset classes

Our common ESG Integration Principles apply across geographies and asset classes (e.g. equities and fixed income). Following the ESG validation process, each investment team’s investment process integrates ESG in line with our common ESG Integration Principles. Below is an example illustrating this.

#### Global Corp ESG Enhanced Index Filters



\* Securities must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, S&P and Fitch; when a rating from only two agencies is available, the lower is used; when only one agency rates a bond, that rating is used Sources: Alfred Berg, Bloomberg and BNP Paribas Asset Management. For illustration purposes only.

## PART 2.

### PRINCIPAL ADVERSE IMPACTS

This section explores how Alfred Berg considers Principal Adverse Impacts (PAI) at the entity level, and covers the reference period from 1 January 2022 to 31 December 2022.

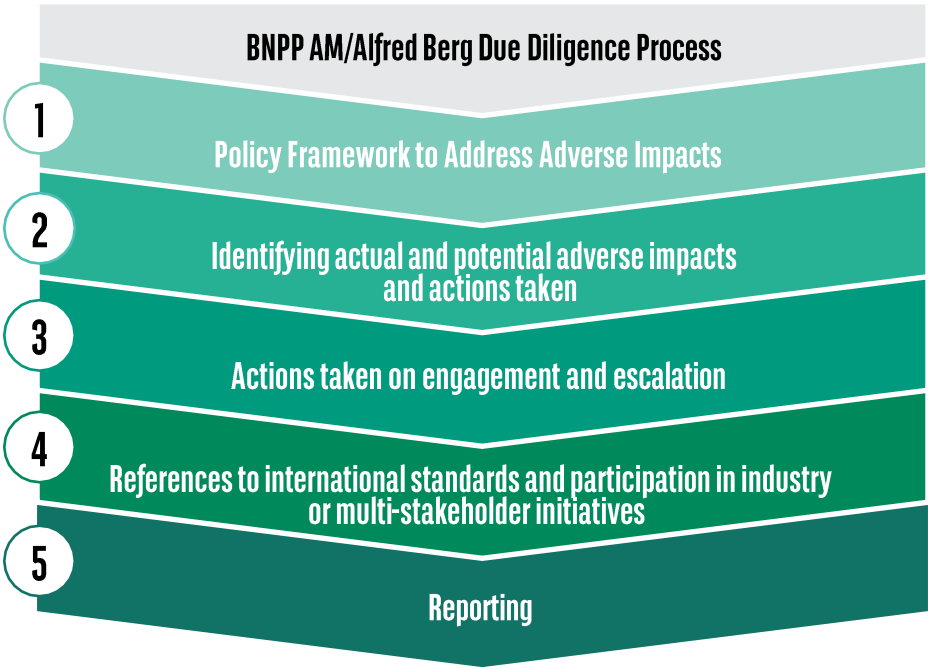
#### Principal adverse impacts statement

As a broadly diversified Nordic asset manager, Alfred Berg’s adverse impacts are primarily indirect, through the entities in which we invest. We are therefore heavily dependent upon issuer and third-party reporting, in addition to BNPP AMs research. More than twenty years since the launch of the UN Global Compact Principles that lay out fundamental corporate responsibilities in the areas of human rights, labor, environment and anti-corruption, and more than ten years since

the adoption of the UN Guiding Principles on Business and Human Rights, the state of corporate social and environmental due diligence remains insufficient and has room for progress. We seek to address this issue in part through engagement with companies, by supporting shareholder proposals asking companies to adopt meaningful social and environmental due diligence programs, and through the BNP Paribas Group’s public policy advocacy. Nevertheless, as relatively few entities in our large investible universe conduct meaningful due diligence and/or disclose the results of these efforts, we are not yet at the stage where we can identify all principal adverse impacts that may be related to the companies, assets or sovereigns we are investing in.

As corporate reporting requirements generally focus on financial information, most issuer-provided information on adverse impacts is voluntarily produced. This, combined with the lack of due diligence programs, means that many of the most significant adverse impacts are generally not identified or disclosed. In addition to a lack of reliable information, our ability to influence outcomes is limited by a variety of factors including the limited leverage available to a minority investor. This is particularly true for sovereigns.

Nevertheless, we embrace our responsibility to identify and mitigate our principal adverse impacts. Our framework for identifying and addressing adverse impacts is outlined below.



**Step 1 – Policy Framework to Address Adverse Impacts**

Our policy framework addresses PAI in primarily three documents: 1) our Responsible Business Conduct (RBC) Policy, which identifies for exclusion industries and behaviors that present a high risk of adverse impacts in violation of international norms; 2) our ESG Integration Guidelines, which helps our investment teams identify ESG risks, including those related to PAI, presented by companies outside of those excluded by the RBC Policy; and 3) our 2022 Stewardship Policy and 2022 Governance and Voting Policy, setting out how we exercise our voting rights as a responsible steward and engage with issuers.

Our RBC Policy provides sector-specific guidance to identify and prioritize adverse impacts based

on the nature of the economic activity, and in many cases, the geography in which these economic activities take place. These policies establish criteria for the exclusion of certain types of activities that present an unacceptable risk to society or the environment, such as tobacco or thermal coal production, as well as criteria for evaluating other activities, such as palm oil production, that are not strictly excluded but require closer scrutiny. They identify general areas where the risk of adverse impacts is more significant, and therefore help us in assessing investee companies operating within those sectors against predefined criteria. Sector policies guide our ESG risk evaluation prior to and during investment.

Our RBC Policy also establishes a common framework across investments and economic activities through the implementation of the UN Global Compact (UNGC) Principles. As the Global Compact establishes broad, aspirational principles, a risk-based approach is taken at the issuer level to assess potential breaches of international standards based on available data. This analysis may result in the exclusion of a company from our actively managed portfolios, or it may lead to direct engagement with the issuer to obtain more information or attempt to influence the company's behaviors.

After the RBC Policy is applied, our ESG Integration Guidelines come into force, in which we articulate a series of commitments material to our consideration of PAI:

- ESG analysis of individual entities will concentrate on those factors deemed to be material for the respective sector by the BNPP AM Sustainability Center, with input from the investment teams.
- We will aim to avoid investing in a publicly traded entity without an ESG score, performing qualitative ESG analysis in the absence of a quantitative ESG rating.
- We will aim to avoid investing in a privately owned entity without performing ESG due diligence (which could include qualitative analysis, or receiving a completed ESG questionnaire).
- We aim to hold portfolios with more positive ESG characteristics than their respective (invested) benchmarks; this includes holding portfolios with a smaller carbon footprint than their respective (invested) benchmarks.

We implement our ESG Integration Policy primarily by providing our investment teams with proprietary ESG scores. Our ESG scoring framework includes consideration of several PAI and PAI-adjacent indicators.

Our 2022 Stewardship Policy and 2022 Governance and Voting Policy outline what we expect of public companies and how we carry out our ownership responsibilities. We are committed to being a 'future maker', using our investments and our influence on companies to advocate for low-carbon, environmentally sustainable and inclusive economies.

- As an integral element of our investment process, we vote at the annual general meetings of companies in which we invest on behalf of our clients. Voting rights are exercised on equities for mutual funds and UCITS funds<sup>3</sup>. We are committed to ensuring that we consistently exercise our voting policy across portfolios and markets, subject to technical and legal constraints. We engage with companies in the context of voting at their AGMs, coordinating such dialogue with portfolio managers.
- Our engagement practices encompass our public equity holdings – both actively and passively managed – and extend beyond them. We engage with the issuers of green bonds to ensure the investment is appropriate for our clients. BNPP AM actively engage with public policymakers, helping them shape the markets in which we invest and the rules that

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<sup>3</sup> For more details, please refer to our Governance & Voting Principles.

guide and govern company behaviors, with a particular focus on corporate disclosure, climate policy and corporate governance.

For more details on the PAI considered by our RBC, ESG and Stewardship policies, please refer to the appendix.

## **Step 2 – Identifying actual and potential principal adverse impacts and actions taken**

Alfred Berg relies on BNPP AMs expertise on ESG issues. BNPP AM use a third-party research provider to update us on specific incidents that may breach one or more UN Global Compact Principles. BNPP AM evaluate these reports and draw their own judgment about whether a company is in violation – or at risk of violation – of the UNGC or of any of our sector policies. These judgments are approved by BNPP AMs Sustainability Committee including their most senior executives. Once a company is excluded, it must meet certain criteria to be re-incorporated into our investment universe. We revise our RBC Policy on a regular basis.

As investment teams are required to evaluate ESG risks in making their investments, additional PAI are considered throughout the investment process.

In addition, BNPP AMs Stewardship team regularly identifies adverse impacts through ongoing research, collaboration with other long-term investors, and dialogue with NGOs and other experts.

## **Step 3 – Engagement and escalation**

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

It is also consistent with our obligations, as fiduciaries, to do what we can to mitigate systemic risks that impact our clients and future investment opportunities, such as climate change, biodiversity loss and inequality. These systemic risks are often the focus of our long-term thematic engagements. See BNPP AMs Global Sustainability Strategy, detailing the overarching thematics, i.e. the ‘3Es’ (Energy transition, Environmental sustainability and Equality and inclusive growth) that we believe are necessary conditions for a sustainable economic system.

Our Stewardship approach is based on the following engagement strategies: (i) engagement related to corporate governance and voting; (ii) thematic engagement, with a focus on the ‘3Es’; (iii) engagement linked to ESG performance.

This includes provisions for escalation when engagement reveals insufficient progress. Indeed, investor-issuer dialogue is the foundation of good stewardship, allowing for trusting relationships to be built over time and permitting solution-oriented discussions. As a last resort, we may divest entities that do not respond to engagement and show no sign that they will place greater emphasis on sustainability in the future. These decisions are taken on a case-by-case basis, to ensure that our concerns have been properly heard and dealt with.

## **Step 4 – References to international standards and participation in industry or multi-stakeholder initiatives**

BNPP AM adheres to a series of recognized standards such as the Principles for Responsible Investment (PRI). Alfred Berg will adhere by initiatives signed by BNPP AM.

Alfred Berg and BNPP AM recognizes that addressing principal adverse impacts on society and the environment requires in many situations a collective effort. We also acknowledge that we can be far more influential when working with others, and that we can benefit from partnering with organizations dedicated to the analysis, research or advocacy of individual ESG issues.

BNPP AM is active participant in a number of industry groups and collaborative engagement initiatives as outlined in their 2022 Stewardship Policy and annual sustainability reports. These include, but are not limited to, members in the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+, Task Force on Climate-related Financial Disclosures (TCFD) and the Global Network Initiative. See Appendix 6 for a more complete list.

## Step 5 – Reporting

Our RBC Policy is publicly available to inform our clients and the markets of our expectations for corporate behavior. We do not publicly report the entities on our exclusion list.

We publish information about our Stewardship activities as part of our annual sustainability report (supplemented by more frequent information on our website). All of our reporting can be found on our public website: <https://www.alfredberg.no/sustainability-documents/>

SFDR RTS (Regulatory Technical Standards) requires fund managers to describe actions taken at the entity level to consider PAI. MiFID requires that products eligible to client sustainable preferences under option (c) prove that PAI are considered. The tables below outline how Alfred Berg considers and addresses or mitigates each of the 14 mandatory and 3 voluntary PAI for Corporates and 2 mandatory PAI for Sovereigns.

## Data sources

BNPP AMs ESG research analysis and findings are independent and based on a wide variety of sources not limited to ESG data providers. They include the knowledge gained from participating in various investment forums and communities, their relationships with academic institutions and aspects of civil society (a list of the initiatives they participate in is available in their most recent sustainability report). With respect to market data providers, they select them using a two-step due diligence process. Their Quantitative Research Group begins by analyzing providers' data sets, which includes examining the coverage of data and its quality, and a statistical review of estimation methodologies, among other items. At the same time, the BNPP AMs Sustainability Centre performs a qualitative review of methodologies used and the relevance of selection criteria.

Once they have selected a provider, the data sets are usually automatically uploaded to BNPP AMs IT systems. Their market data team oversees governance related to the relationship with the provider, and as part of this process, BNPP AM performs an annual review of our market data contracts.

BNPP AMs external specialized providers and what they offer are as follows:

- Sustainalytics provides raw data metrics that are used selectively to feed the ESG scoring model. This provider is also used for UNGC analysis and controversies offerings.
- Trucost, CDP, 427, TPI and SBTi: these data providers are used for the climate change and physical risk analysis. Trucost also provide Scope 1, 2 and 3 carbon emissions data.
- CDP, Trucost, Forest 500, TRASE, SPOTT, FAIRR, and Iceberg Data Lab provided water, deforestation and biodiversity metrics used to assess and report on the biodiversity footprints of our portfolios and holdings.

- ISS and Proxinvest provides their governance research and data to feed the ESG scoring model.
- Beyond Ratings provides data and research used in BNPP AMs ESG sovereign research and scoring framework.
- Brokers provides with research papers and other market information.
- Bloomberg for EU Taxonomy data.

#### **When information is not readily available**

BNPP AMs ESG research data allows us to cover the different PAI. The indicators BNPP AM use in their ESG scoring model are an exact or very close match to PAI 1, 2, 3, 10, 11 and 13. However, for PAI 4, 5, 6, 7, 8, 9 and 12, we currently rely on proxy indicators. We are actively working through BNPP AM with different research projects to onboard 'exact-fit' indicators with a satisfactory coverage. Due diligence on third-party data vendor offerings is also ongoing.

APPENDIX 1 – MANDATORY CORPORATE INDICATOR

The table below describes how each of the five pillars of our sustainable investment approach contributes to 'consider and address or mitigate' each of the 14 mandatory corporate PAI.

| Indicator                             | Metric                              | Data Avail-ability | Pillar 1<br>ESG Integration – proprietary<br>ESG Score                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Pillar 2 Stewardship                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Pillar 3<br>Responsible Business Conduct                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Pillar 4<br>Forward-looking perspective: the<br>'3Es'                                                                                                                                                                                                                                                                                                                                                                                                                                       | Conclusion                                                                                                                                                                                         |
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| 1.GHG Emissions                       | Scope 1                             | High               | <ul style="list-style-type: none"><li>Several indicators related to GHG emissions are currently embedded in BNPPAMs proprietary ESG scoring framework:</li><li>- Absolute GHG emissions (scope 1+2 as of today)</li><li>- Carbon intensity – also enforced at fund level via the 'BTB rule'</li><li>- Carbon intensity trend</li><li>- Sector-specific carbon performance metrics (ex: carbon intensity of generation, fleet emissions for automotive sector)</li><li>- Scope of GHG reporting</li><li>- GHG risk management</li><li>- GHG reduction program</li><li>- Incidents related to a company's failure to manage direct and indirect GHG emissions through non-compliance with environmental regulations</li><li>- Incidents related to the negative impact of products and services on carbon emissions</li></ul> | <p><b>Engagement</b></p> <ul style="list-style-type: none"><li>BNPP AM is a member of the Climate Action 100+ initiative (CA100+), a collective effort by institutional investors to engage the world's largest corporate greenhouse gas emitters. The objective of this initiative is to push corporates to implement a strong governance framework that clearly articulates the board's accountability for and oversight of climate change risk, provides enhanced corporate disclosure, and takes action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goal. BNPP AM leads, or co-leads, engagement with nine companies in Europe, the US and Asia. They also take part in dialogues that are led by other investors among the CA100+ coalition, and lend their name to all engagement undertaken in the name of this initiative with all companies, in their capacity as supporter.</li></ul>                                                                                                                 | <ul style="list-style-type: none"><li>Exclusion of thermal-coal mining companies that meet any of the following criteria:<ul style="list-style-type: none"><li>- are developing or planning to develop thermal coal extraction capacities (new mines or expansion of existing ones)</li><li>- derive more than 10% of their revenues from the mining of thermal coal</li><li>- produce more than 10 million tons of thermal coal per year</li><li>- do not have a strategy to exit from thermal-coal activities by 2030 in European Union and OECD countries and by 2040 for the rest of the world</li></ul></li><li>Exclusion of all power generators that meet any of the following criteria:<ul style="list-style-type: none"><li>- are adding operational coal-fired power generation capacity to their power portfolio</li><li>- have a carbon intensity above the <u>IEA SDS</u> threshold of 463 gCO2/kWh in 2019, declining towards 81 gCO2/kWh by 2040.</li></ul></li><li>In addition to the above, we will systematically exclude any power generators that still have coal capacity in their generation mix in 2030 in European Union and OECD countries, and by 2040 for the rest of the world.</li><li>Exclusion of oil and gas companies significantly involved in unconventional oil and gas activities.</li><li>Our exclusion list and watch list are communicated by BNPP AMs Sustainability Center to investment teams on a regular basis. Pre-trade and post-trade compliance checks are conducted by Investment Compliance teams to ensure that exclusion lists are implemented by all relevant portfolios within 3 months of the list being updated.</li></ul> | <ul style="list-style-type: none"><li>Efforts are underway to evaluate Scope 3 carbon data for inclusion in internal assessment frameworks.</li><li>Efforts are underway to develop BNPP AMs own carbon data estimation model using machine learning techniques.</li><li>Due diligence on third-party data vendor offerings related to PAI indicators 5 and 6 where data availability is currently low.</li><li>Working on proprietary net zero alignment assessment methodology.</li></ul> | <p>The indicators included in the scoring model, in addition to our stewardship, application of RBC, research and thematic/labelled funds, allow us to consider and address or mitigate PAI 1.</p> |
|                                       | Scope 2                             | High               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                    |
|                                       | Scope 3                             | Low                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                    |
|                                       | Total Emissions                     | Low                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                    |
| 2.Carbon footprint                    | Carbon footprint                    | High <sup>5</sup>  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>The indicators included in the scoring model, in addition to our stewardship, application of RBC, research and thematic/labelled funds, allow us to consider and address or mitigate PAI 2.</p> |
| 3.GHG intensity of investee companies | GHG intensity of investee companies | High <sup>6</sup>  | <ul style="list-style-type: none"><li><u>Carbon footprint of our funds:</u> Today we measure the carbon footprint of both equity and fixed income portfolios. Alfred Berg <u>factsheets</u> includes two new indicators – ESG Global Score and the carbon footprint of the fund versus the benchmark. We aim to hold portfolios with more positive ESG characteristics than their respective (invested) benchmarks. This includes holding portfolios with a smaller carbon footprint than their respective (invested) benchmarks.</li></ul>                                                                                                                                                                                                                                                                                 | <ul style="list-style-type: none"><li>Engagement on corporate climate lobbying: since 2018, they have advocated for Paris-aligned corporate climate lobbying and witnessed a rapid uptake by institutional investors on this topic. In this context, BNPP AM can use the filing of shareholder proposals as an escalation measure.</li><li>Engagement related to our Coal Policy: BNPP AM engage individually with portfolio companies to confirm the emissions intensity of their power generation and evaluate the potential to work with companies to enhance their decarbonization ambitions. BNPP AM also engage with those companies whose carbon intensities are close to, but still not in line with their and our policy.</li></ul> <p><b>Proxy voting</b></p> <ul style="list-style-type: none"><li>We apply climate-related expectations to our voting exercise, by opposing financial statements/ director and auditor reports (and, in some geographies, the discharge of directors or board elections) when companies do not properly report</li></ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>The indicators included in the scoring model, in addition to our stewardship, application of RBC, research and thematic/labelled funds, allow us to consider and address or mitigate PAI 3.</p> |

3 Source: Broadridge, Morningstar, BNPP AM  
4 Currently does not take into account Scope 3  
5 Currently does not take into account Scope 3

| Indicator                                                      | Metric                                                                                                                                                                                                                        | Data Availability                            | Pillar 1<br>ESG Integration –<br>proprietary ESG Score                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Pillar 2 Stewardship                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Pillar 3<br>Responsible Business Conduct                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Pillar 4<br>Forward-looking perspective: the<br>'3Es'                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Conclusion                                                                                                                                                                                                                                                                                                                                                                    |
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| 4.Exposure to companies active in the fossil fuel sector       | Share of investments in companies active in the fossil fuel sector                                                                                                                                                            | High                                         | <ul style="list-style-type: none"> <li>The indicators listed above for PAI 1/2/3 can be used as proxy<sup>7</sup>. In particular, the sector-specific carbon performance indicators are mainly focused on companies from the fossil fuel sectors.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>on their carbon footprint (Scope 1, 2 and 3, when appropriate), or communicate or want to constructively engage in relation to their business climate change strategy or climate lobbying strategy. This results in a significant opposition vote at general meetings for climate-related considerations.</p> <ul style="list-style-type: none"> <li>We support shareholder proposals when they align with our ESG expectations, as detailed in our Governance &amp; Voting Policy.</li> </ul>                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>The proxy indicators included in BNPP AMs scoring model, in addition to our stewardship, application of RBC, research and thematic/labelled funds, allow us to consider and address or mitigate PAI 4. Conventional oil and gas companies are addressed through BNPP AMs ESG scoring model, stewardship, research and thematic/labelled funds but not through our RBC.</p> |
| 5.Share of non-renewable energy consumption and production     | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources | Low (for consumption ) High (for production) | <ul style="list-style-type: none"> <li>Two proxy<sup>8</sup> indicators related to renewable energy use are currently embedded in our proprietary ESG scoring framework for the relevant sectors: <ul style="list-style-type: none"> <li>- Robustness of renewable energy program to increase the use of renewable energy.</li> <li>- Share of primary energy use coming from renewable energy.</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>The proxy indicators included in BNPP AMs scoring model in addition to our stewardship, application of RBC, research and thematic/labelled funds, allow us to consider and address or mitigate PAI 5. The share of non-renewable energy production is partially and indirectly covered by our RBC.</p>                                                                     |
| 6.Energy consumption intensity per high impact climate sector  | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector                                                                                                                    | Low                                          | <ul style="list-style-type: none"> <li>A proxy<sup>9</sup> indicator is embedded in BNPP AMs proprietary ESG scoring framework: <ul style="list-style-type: none"> <li>- absolute GHG emissions, which covers Scope 2 (and therefore indirect emissions from purchased energy)</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>The proxy indicators included in BNPP AMs scoring model, in addition to our stewardship, research and thematic/labelled funds, allow us to consider and address or mitigate PAI 6. The energy consumption intensity is indirectly covered in the ESG scoring.</p>                                                                                                          |
| 7.Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas                                | Low                                          | <ul style="list-style-type: none"> <li>Some proxy<sup>10</sup> indicators related to biodiversity protection embedded in the proprietary ESG scoring framework for the relevant sectors include: <ul style="list-style-type: none"> <li>- Incidents related to supplier failures to protect biodiversity</li> <li>- Assessment of the quality of programs to protect biodiversity</li> <li>- Assessment of the guidelines and reporting on the closure and rehabilitation of sites</li> <li>- Assessment of the company's oil spill reporting and performance</li> </ul> </li> <li>Assessment of the strength of oil and gas producers' initiative to manage the environmental risks associated with deep-water drilling operations</li> </ul> | <p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>BNPP AM has been an active member of the PRI and Ceres-led Investor Initiative for Sustainable Forests for several years, and have taken the lead with a number of companies. Through this initiative, they are engaging key companies on their policies and procedures for sourcing commodities linked to deforestation, including soy, palm oil, cattle and timber products.</li> <li>BNPP AM is working with other institutional investors on other collective initiatives such as Capitals Coalition, Partnership for Biodiversity Accounting Financials (PBAF), ALIGN, WWF Biodiversity Risk project, and Aligned Accountability, in addition to our membership in the TNFD (Taskforce on Nature-related Financial Disclosures).</li> </ul> | <ul style="list-style-type: none"> <li>Our RBC Policy sets minimum requirements regarding ecosystem and biodiversity (mandatory and evaluation criteria) for companies in the agriculture, palm oil, wood pulp and mining sectors. RBC also sets minimum requirements regarding pesticides from companies in the palm oil and agriculture sectors.</li> <li>In particular, we aim to invest only in companies that do not develop new farming projects in protected areas (UNESCO World Heritage Sites, wetlands on the Ramsar list, Alliance for Zero Extinction sites, International Union for Conservation of Nature (IUCN) Category I-IV areas, peatlands), and that are not involved in the trade of any plant or animal species or product governed by the CITES (Convention on International Trade in Endangered Species) and not authorized by a CITES permit.</li> </ul> | <ul style="list-style-type: none"> <li>BNPP AM published their <a href="#">biodiversity roadmap</a> in May 2021. They have used a variety of tools to understand the dependencies and impacts, and conducted analysis of assets under management (AUM) to understand the exposure to water and deforestation risks (forest and water footprint).</li> <li>Fund the development of biodiversity indicators for corporates for CDP's disclosure questionnaire (first deliverable in Q3 2022).</li> <li>Understand companies' land use or other environmental footprints based on supply chain data</li> <li>Determine to what extent retailers' buying and selling decisions support sustainable fishing or contribute to overfishing</li> </ul> | <p>The proxy indicators included in our scoring model, in addition to our stewardship, application of RBC, research and thematic/labelled funds, allow us to consider and address or mitigate PAI 7.</p>                                                                                                                                                                      |

6 Please refer to page 34 on proxies for more details

7 Please refer to page 34 on proxies for more details

8 Please refer to page 34 on proxies for more details

9 Please refer to page 34 on proxies for more details

| Indicator            | Metric                                                                                                               | Data Avail-ability | Pillar 1<br>ESG Integration – proprietary<br>ESG Score                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Pillar 2 Stewardship                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Pillar 3<br>Responsible Business Conduct                                                                                                                                                                              | Pillar 4<br>Forward-looking perspective: the<br>'3Es'                                                                                                                            | Conclusion                                                                                                                                                                                             |
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|                      |                                                                                                                      |                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>Alongside efforts to better understand our dependencies and impacts on nature, and to integrate these insights into our investment decision-making, BNPP AM is engaging with portfolio holdings on several of the key drivers of biodiversity loss, including climate change and deforestation, in addition to engagements focused on water issues and pesticide use.</li> <li>BNPP AM is also working to launch 'Nature Action 100+' – a collaborative shareholder engagement platform – with other institutional investors.</li> </ul> <p><b>Proxy voting</b><br/>We apply ESG expectations to our voting exercise, and we oppose financial statements/director and auditor reports (and, in some geographies, the discharge of directors or board elections) at general meetings of companies that do not align with our ESG expectations, as expressed in our Governance &amp; Voting Policy.</p>                                                                                                                                                                          |                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>Due diligence on third-party data vendor offerings related to PAI indicators 7 and 8 where data availability is currently low.</li> </ul> |                                                                                                                                                                                                        |
| 8.Emissions to water | Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | Low                | <ul style="list-style-type: none"> <li>Some proxy<sup>11</sup> indicators related to water effluents are embedded in BNPP AMs proprietary ESG scoring for the relevant sectors: <ul style="list-style-type: none"> <li>Assessment of the strength of a company's initiative to treat effluent generated through its production process prior to release to the environment.</li> <li>Incidents related to a company's management and disposal of hazardous waste that have a potential negative impact on human health and lead to contamination of water, land and air.</li> </ul> </li> <li>BNPP AMs ESG scoring framework also includes some indicators on water intensity/use.</li> </ul> | <p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>BNPP AM/Alfred Berg focus is to improve the water efficiency of our investment portfolios, in particular in water-stressed areas, as well as to measure and disclose the water footprint of our portfolios. BNPP AM has also committed to encourage water-intensive sector companies operating in water-stressed areas to significantly improve their water efficiency while ensuring water access to local communities. To achieve this, we engage priority companies on the topic and encourage them to disclose under the CDP Water initiative. BNPP AM has also been engaging mining companies on their tailings management.</li> </ul> <p><b>Proxy voting</b></p> <ul style="list-style-type: none"> <li>We apply ESG expectations to our voting exercise, and we oppose financial statements/director and auditor reports (and, in some geographies, the discharge of directors or board elections) at general meetings of companies that do not align with our ESG expectations, as expressed in our Governance &amp; Voting Policy</li> </ul> | <ul style="list-style-type: none"> <li>Our RBC Policy sets minimum requirements regarding water use or quality (mandatory and evaluation criteria) for companies in the agriculture and wood pulp sectors.</li> </ul> |                                                                                                                                                                                  | The proxy indicators included in BNPP AMs scoring model, in addition to our stewardship, application of RBC, research and thematic/labelled funds, allow us to consider and address or mitigate PAI 8. |

10 Please refer to page 34 on proxies for more details.

| Indicator                                                                                                                                               | Metric                                                                                                                                                   | Data Availability | Pillar 1<br>ESG Integration – proprietary<br>ESG Score                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Pillar 2 Stewardship                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Pillar 3<br>Responsible Business Conduct                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Pillar 4<br>Forward-looking perspective:<br>the ‘3Es’                                                         | Conclusion                                                                                                                                                        |
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| 9.Hazardous waste and radioactive waste ratio                                                                                                           | Tons of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average                  | Low               | <ul style="list-style-type: none"> <li>Some proxy<sup>12</sup> indicators related to hazardous waste are embedded in BNPP AMs proprietary ESG scoring framework for the relevant sectors: <ul style="list-style-type: none"> <li>- Assessment of the strength of a company initiative to reduce hazardous waste from its own operations.</li> <li>- Assessment of a company's program to manage the environmental risks associated with radioactive waste indicator analyzed for utilities and the capital goods sector.</li> <li>- Incidents related to a company's poor management and disposal of hazardous waste, radioactive waste that have a potential negative impact on human health and lead to contamination of water, land and air.</li> </ul> </li> </ul> | <p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>Since the publication of the Global Industry Standard on Tailings Management in 2020, BNPP AM has engaged mining companies on how these changes will impact their strategy, in order to identify the main challenges for the implementation of these new standards. BNPP AM and Alfred Berg expect such engagement to foster a more transparent environment for waste management and to ease the assessment of the risk exposure by companies for investors' worth.</li> </ul> <p><b>Proxy voting</b></p> <p>We apply ESG expectations to our voting exercise, and we oppose financial statements/director and auditor reports (and, in some geographies, the discharge of directors or board elections) at general meetings of companies that do not align with our ESG expectations, as expressed in our Governance &amp; Voting Policy.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Our RBC Policy sets minimum requirements regarding waste management (mandatory and evaluation criteria) for companies in the nuclear, agriculture, unconventional oil and gas, wood pulp and mining sectors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Due diligence on third-party data vendor offerings related to PAI 9 where data availability is currently low. | The proxy indicators included in BNPP AM scoring model, in addition to our stewardship and application of RBC, allow us to consider and address or mitigate PAI 9 |
| 10.Violations of UN Global Compact Principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC Principles or OECD Guidelines for Multinational Enterprises | High              | <ul style="list-style-type: none"> <li>Proprietary ESG scoring model includes consideration of several incidents related to the ten UNGC Principles such as: corporate governance misconduct, access to basic services, community relations, tax avoidance, accounting misconduct, labor relations, lobbying and public policy, sanctions, bribery and corruption, anti-competitive practices, violation of human rights, etc.</li> </ul>                                                                                                                                                                                                                                                                                                                              | <p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>We strive to engage with companies at risk of violation of one or more of the UNGC Principles or OECD MNEs. We either engages with and/or excludes companies that are subject to serious controversies, in line with our Responsible Business Conduct (RBC) Policy.</li> <li>If engagement with companies does not lead to enough progress, we exclude them from our portfolios as an escalation measure.</li> <li>BNPP AM address concerns on human rights through our participation in the Global Network Initiative (GNI), seeking to implement the GNI Principles on freedom of expression and privacy (we serve on the GNI board).</li> <li>BNPP AM also work on supply chain human rights issues in partnership with the Interfaith Center on Corporate Responsibility and the Investor Alliance for Human Rights and other institutional investors. BNPP AM use the findings of the Know the Chain benchmark to identify corporations with inadequate policies and procedures to address forced labor in their manufacturing supply chains.</li> <li>We also engage companies on a range of other social issues, including health and safety at work.</li> </ul> <p><b>Proxy voting</b></p> <ul style="list-style-type: none"> <li>We apply the requirements of our Responsible Business Conduct (RBC) Policy to our voting exercise, by opposing board elections, discharge of board members or financial statements when the company is implicated in serious violations of our RBC Policy – including violations of the UN Global Compact</li> </ul> | <ul style="list-style-type: none"> <li>We expect companies to meet their fundamental obligations in the areas of human and labor rights, protecting the environment and ensuring anti-corruption safeguards, wherever they operate, in line with the UN Global Compact Principles and OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines). These are shared frameworks, recognized worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labor standards, environmental stewardship and anti-corruption. We aim to engage with companies where they fall short, and exclude the worst offenders.</li> <li>Investment universes are periodically screened by BNPP AM with a view to identifying issuers that are potentially in breach of UNGC Principles and OECD MNE Guidelines and/or mandatory requirements applicable to controversial sectors and products.</li> <li>BNPP AM establishes and maintains two lists: <ul style="list-style-type: none"> <li>- An exclusion list of issuers that are associated with serious and repeated breaches of UNGC Principles and/or mandatory requirements related to controversial sectors and products.</li> <li>- A watch list of issuers that are at risk of breaching ESG standards and with whom we engage in a dialogue to encourage improvements.</li> </ul> </li> </ul> | Ongoing and regular evaluations of companies potentially in violation of UNGC Principles.                     | The application of our RBC allows us to consider and address or mitigate PAI 10.                                                                                  |

|  |  |  |  |                                     |  |  |  |
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|  |  |  |  | Principles and our Sector Policies. |  |  |  |
|--|--|--|--|-------------------------------------|--|--|--|

11 Please refer to page 34 on proxies for more details.

| Indicator                                                                                                                                                | Metric                                                                                                                                                                                                                                                                                                  | Data Availability | Pillar 1<br>ESG Integration – proprietary<br>ESG Score                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Pillar 2 Stewardship                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Pillar 3<br>Responsible Business Conduct                                                                                                                                                                                                                                                                                                       | Pillar 4<br>Forward-looking perspective: the<br>'3Es'                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Conclusion                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11.Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies with-out policies to monitor compliance with the UNGC Principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC Principles or OECD Guidelines for Multinational Enterprises | Medium            | <ul style="list-style-type: none"> <li>• BNPP AM is signatory to the following standards embedded in proprietary ESG rating: UNGC, UN PRI, UNEPFI, Equator Principles</li> <li>• Several policy and program data related to UNGC Principles and OECD Guideline thematics embedded in proprietary ESG rating: <ul style="list-style-type: none"> <li>- Indigenous rights policy</li> <li>- Human rights program</li> <li>- Human rights policy</li> <li>- Collective bargaining agreements</li> <li>- Discrimination policy</li> <li>- Freedom of association policy</li> <li>- Lobbying and political expenses</li> <li>- Political involvement policy</li> <li>- Money laundering policy</li> <li>- Business ethics program</li> <li>- Whistle-blower programs</li> <li>- Bribery and corruption pro-grams</li> <li>- Bribery and corruption policy</li> <li>- Environmental policy</li> </ul> </li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• Our exclusion list and watch list are communicated by BNPP AM and Risk to investment teams on a regular basis.</li> <li>Pre-trade and post-trade compliance checks are conducted by Investment Compliance teams to ensure that exclusion lists are implemented by all relevant portfolios.</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | The proxy indicators included in BNPP AMs scoring model in addition to our stewardship and research allow us to consider and address or mitigate PAI 11.                    |
| 12.Unadjusted gender pay gap                                                                                                                             | Average unadjusted gender pay gap of investee companies                                                                                                                                                                                                                                                 | Low               | <ul style="list-style-type: none"> <li>• BNPP AMs proprietary ESG rating does not yet include an indicator directly related to gender pay gap due to data coverage concerns, but includes a proxy<sup>13</sup> indicator related to the quality of a company's diversity programs.</li> <li>• BNPP AM intend to evolve the proprietary ESG rating model and add a performance indicator related to gender pay gap.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | /                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | /                                                                                                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>• BNPP AM aims to publish a roadmap on equality and inclusive growth themes during 2023. This roadmap will set the path to further consider topics such as gender pay gap and gender board diversity.</li> <li>• Current research topics across these issues include: <ul style="list-style-type: none"> <li>- Due diligence with alternative data vendors to improve the coverage on gender pay gap indicator.</li> <li>- Expansion of research on executive committee and board chair gender diversity; and on the financial performance of stocks with more diverse boards.</li> </ul> </li> </ul> | The proxy indicators included in BNPP AMs scoring model, in addition to the research and thematic/labelled funds, allow us to consider and address or mitigate PAI 12.      |
| 13.Board gender diversity                                                                                                                                | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members                                                                                                                                                                                     | High              | <ul style="list-style-type: none"> <li>• This metric is embedded in BNPP AMs proprietary ESG rating.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>• In line with our Governance &amp; Voting Policy, we have an engagement campaign in place with regard to board diversity, focusing on where we have important exposure. Each year, we engage companies as part of this campaign and monitor our engagement success, resulting in concrete policy changes.</li> <li>• BNPP AM participate in Business for Inclusive Growth with Finance for Tomorrow.</li> </ul> <p><b>Proxy voting</b></p> <ul style="list-style-type: none"> <li>• We will vote against a board candidate if the candidate is not a woman and:</li> <li>• Fewer than 40% of directors are women for Europe.</li> </ul> | /                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | The indicator included in BNPP AM scoring model, in addition to our stewardship, research and thematic/labelled funds, allow us to consider and address or mitigate PAI 13. |

<sup>12</sup> Please refer to page 34 on proxies for more details.

| Indicator                                                                                                                   | Metric                                                                                                     | Data Avail-ability | Pillar 1<br>ESG Integration – proprietary<br>ESG Score | Pillar 2 Stewardship                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Pillar 3<br>Responsible Business Conduct                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Pillar 4<br>Forward-looking perspective: the<br>'3Es' | Conclusion                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------|
| 14. Exposure to controversial weapons (an- ti- personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | High               | N/A                                                    | <b>Proxy voting</b> <ul style="list-style-type: none"><li>• We apply the requirements of our Responsible Business Conduct (RBC) Policy to our voting exercise, by opposing board elections, discharge of board members or financial statements when the company is implicated in serious violations of our RBC Policy – including violations of the UN Global Compact Principles and our Sector Policies, among which is Controversial Weapons. This results in a significant opposition vote linked to our RBC Policy at general meetings.</li></ul> | <ul style="list-style-type: none"><li>• As per our RBC policy, we do not wish to invest in companies involved in the manufacture, trade or storage of 'controversial weapons', or any other activity involving controversial weapons. These include cluster ammunition and anti-personnel landmines, chemical and biological weapons, and nuclear/depleted uranium weapons. Most of these weapons are covered by international conventions and investments are already prohibited in some jurisdictions.</li><li>• Our exclusion list and watch list are communicated by BNPP AM and Risk to investment teams on a regular basis. Pre-trade and post-trade compliance checks are conducted by Investment Compliance teams to ensure that exclusion lists are implemented by all relevant portfolios.</li></ul> | N/A                                                   | The application of our RBC allows us to consider and address or mitigate PAI 14. |

# APPENDIX 2 – VOLUNTARY CORPORATE INDICATORS

The table below describes how each of the five pillars of our sustainable investment approach contributes to 'consider and address or mitigate' the three voluntary corporate PAI.

| 'Consider, Address and Mitigate' the PAI Indicator in Practice |                                                                           |                                                                                                                                                                    |                   |                                                                                                                            |                                                                |                                          |                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                             |
|----------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Category                                                       | Indicator                                                                 | Metric                                                                                                                                                             | Data Availability | Pillar 1<br>ESG Integration –<br>proprietary ESG Score                                                                     | Pillar 2 Stewardship                                           | Pillar 3 Responsible<br>Business Conduct | Pillar 4<br>Forward-looking perspective:<br>the '3Es'                                                                                                                                                                                                                                                                         | Conclusion                                                                                                                                                                                                  |
| Emissions                                                      | 4. Investments in companies without carbon emission reduction initiatives | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement                                | Medium            | An indicator 'Assessing the quality of an issuer's GHG reduction program' is embedded in proprietary ESG scoring framework | See PAI 1-3                                                    | See PAI 1-3                              | <ul style="list-style-type: none"><li>Working to ingest data from CDP, SBTi, TPI and other open source climate initiatives.</li><li>BNPP AM is working on a proprietary net zero alignment assessment methodology. As part of this methodology, we will assess the carbon emission reduction targets of corporates.</li></ul> | The indicators included in BNPP AM scoring model, in addition to our stewardship, application of RBC, research and thematic/labelled funds, allow us to consider and address or mitigate (voluntary) PAI 4. |
| Social and employee matters                                    | 4.Lack of a supplier code of conduct                                      | Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labor and forced labor) | High              | An indicator on social supply chain standards is embedded in BNPP AMs proprietary ESG rating                               | See PAI 10 and 11 BNPP AM has supported the Bangladesh Accord. | See PAI 10 and 11                        | See PAI 10 and 11                                                                                                                                                                                                                                                                                                             | The proxy indicators included in BNPP AMs scoring model, in addition to our stewardship, application of RBC and research, allow us to consider and address or mitigate (voluntary) PAI 4.                   |
| Human rights                                                   | 9.Lack of a human rights policy                                           | Share of investments in entities without a human rights policy                                                                                                     | High              | An indicator 'human rights policy' is embedded in BNPP AMs proprietary ESG rating                                          | See PAI 10 and 11                                              | See PAI 10 and 11                        | See PAI 10 and 11                                                                                                                                                                                                                                                                                                             | The proxy indicators included in BNPP AM scoring model, in addition to our stewardship, application of RBC and research, allow us to consider and address or mitigate (voluntary) PAI 9.                    |

APPENDIX 3 – SOVEREIGN AND SUPRANATIONAL INDICATORS

The table below describes how each of the five pillars of our sustainable investment approach contributes to ‘consider and address or mitigate’ the two sovereign PAI.

| Indicator                                           | Metric                                                                                                                                                                                                                                                     | Data Avail-ability                | Pillar 1<br>ESG Integration – proprietary ESG score                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Pillar 2 Stewardship                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Pillar 3 Responsible Business Conduct (Exclusions)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Pillar 4<br>Forward-looking perspective: the ‘3Es’                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Conclusion                                                                                                                                                                                            |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15. GHG intensity                                   | GHG intensity of investee countries                                                                                                                                                                                                                        | High (Scope 1+2)<br>Low (Scope 3) | BNPP AMs current proprietary ESG scoring framework for sovereigns includes consideration of various related metrics including: <ul style="list-style-type: none"><li>• GHG emissions</li><li>• CO<sub>2</sub> emissions from energy sector, total</li><li>• CO<sub>2</sub> emissions from gaseous fuel consumption</li><li>• CO<sub>2</sub> emissions from industries, total</li><li>• CO<sub>2</sub> emissions from liquid fuel consumption</li><li>• Emitted GHG per capita including Land Use, Land use Change and Forestry (LULUCF)</li><li>• The temperature alignment of country climate policies</li></ul>                                                                                                                                                   | <ul style="list-style-type: none"><li>• BNPP AM is a signatory to the 2019, 2021 and 2022 Global Investor Statement to Government on the Climate Crisis.</li><li>• In line with their Public Policy and Stewardship Strategy, BNPP AM advocate both to strengthen ESG considerations within the financial sector and, more broadly, to improve sustainability-related regulation for the markets in which we invest. Public policy can affect the ability of long-term investors to generate sustainable returns and create value. It can also affect the sustainability and stability of financial markets, as well as social, environmental and economic systems. BNPP AM therefore actively engage policymakers, helping to shape the markets in which we invest and the rules that guide and govern company behaviors.</li><li>• Moreover, as part of BNPP AMs Stewardship Policy, they also target sovereigns beyond corporate issuers through their engagement initiatives. BNPP AM participate in ex-ante (prior-issuance) and ex-post (12-24 months post issuance) investor meetings with thematic bond issuers, to gather information outside documentation and encourage improvements in the structure of the thematic bonds that could lead to ‘greener’ assets being selected, dropping of ‘less desirable’ assets from the eligible portfolio, or encourage publishing green and social impact reports to address questions that are needed for ex-post assessment steps. Similarly, BNPP AM engage in dialogue with sovereign bond issuers about the terms of their bonds and concerning the countries’ policies and performance on key ESG issues that might influence their ability to service their debt.</li></ul> | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"><li>• BNPP AM have developed an internal Sovereign Carbon Foot-print methodology taking into account GDP adjusted by PPP. Scope 3 is under development with the Quantitative Research Group to estimate Scope 3 for sovereigns. The sovereign carbon footprint is expected to be completed by the end of 2022</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | The indicators included in BNPP AMs scoring model, in addition to our stewardship, research and thematic/labelled funds, allow us to consider and address or mitigate PAI 15.                         |
| 16. Investee countries subject to social violations | Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations Principles and, where applicable, national law | High                              | Several indicators linked to social violations are embedded in BNPP AMs proprietary sovereign ESG scoring framework, including: <ul style="list-style-type: none"><li>• Labor &amp; Social Protection including Child Labor adjusted Human Development Index (HDI), Children in employment, female &amp; total (% of children ages 7-14), Child employment in agriculture and in manufacturing (%)</li><li>• Control of Corruption</li><li>• Democratic Life: Voice and Accountability, Firms with female top manager, Rule of Law</li><li>• Security: Refugee population by country or territory of asylum, Military expenditure (% of central government expenditure), Military expenditure (% of GDP), Armed forces personnel (% of total labor force)</li></ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"><li>• A controversial countries framework has been established and is applicable to all of BNPP AMs sustainable responsible investment funds with the Towards Sustainability Quality Standard label. BNPP AM’s approach focuses on two fundamental areas to screen out the most severe controversial countries. BNPP AM ensures that countries in which we invest behave in ways that, at minimum, commit to fight against corruption and illegal financing activities and respect fundamental human rights.</li><li>• Sovereign investment universes are periodically screened with a view to identifying severe controversial countries that are potentially in breach of the minimum requirements. For this, BNPP AM uses international shared frameworks such as The Financial Action Task Force (FATF) list of non-cooperative jurisdictions and the ‘Freedom in the World Index’.</li><li>• This sovereign ESG assessment is conducted within BNPP AMs Sustainability Centre on the basis of internal analysis and information provided by external experts and data providers. Severe controversial countries are flagged on a dedicated exclusion list, which is sent on a monthly basis to all relevant BNPP AM’s portfolio managers. Pre-trade and post-trade compliance checks are conducted by Investment Compliance teams to ensure that sovereign exclusions are implemented by all portfolio managers.</li><li>• Applicable to Agencies only: an analysis has been done for the SRI labelled funds to identify countries that have any human rights controversies or social violation issues.</li></ul> | <ul style="list-style-type: none"><li>• The Towards Sustainability Quality Standard label exclusion list will be updated on an annual basis.</li><li>• BNPP AM sovereign ESG scoring model is currently being reviewed, including the ‘S’ indicators which feed into the scores.</li><li>• SDG framework research and methodology for sovereigns: BNPP AM is developing a Sustainable Investment definition and an SDG framework for sovereigns. However, the SDG metrics are included in BNPP AM’s ESG sovereign scores through a wide range of indicators within the E-pillar (14 themes), S-pillar (12 themes) and G-pillar (7 themes), comprising a total of 225 KPIs structured around 33 key themes. A project to develop a methodology for SDGs with reference to sovereigns and government agencies is anticipated to be undertaken by the BNPP AMs Sustainability Center in the coming months.</li></ul> | The indicators included in BNPP AM scoring model in addition to our stewardship, application of exclusions, research and thematic/labelled funds allow us to consider and address or mitigate PAI 16. |

# APPENDIX 4 - REAL ESTATE INDICATORS

Alfred Berg does not directly own real estate assets and thus has not completed this table.

| 'Consider, Address and Mitigate' the PAI Indicator in Practice |                                                                                                                          |                   |                                                        |                      |                                                       |                                                       |            |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------------------------|----------------------|-------------------------------------------------------|-------------------------------------------------------|------------|
| Indicator                                                      | Metric                                                                                                                   | Data Availability | Pillar 1<br>ESG Integration – proprietary<br>ESG score | Pillar 2 Stewardship | Pillar 3 Responsible Business<br>Conduct (Exclusions) | Pillar 4<br>Forward-looking perspective: the<br>'3Es' | Conclusion |
| 17. Exposure to fossil fuels through real estate assets        | Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels | N/A               | N/A                                                    | N/A                  | N/A                                                   | N/A                                                   | N/A        |
| 18. Exposure to energy-inefficient real estate assets          | Share of investments in energy-inefficient real estate assets                                                            | N/A               | N/A                                                    | N/A                  | N/A                                                   | N/A                                                   | N/A        |

- Legend
- High data availability: Disclosed or reasonably estimated data for this indicator exists for the majority of our investment universe.
  - Medium data availability: Some disclosed data exists, estimation models may be used to fill gaps in disclosed data.
  - Low data availability: Very little data is disclosed, estimation models may exist to fill gaps in disclosure but with high uncertainty margins.

APPENDIX 5 – CONSIDERATION OF MANDATORY AND VOLUNTARY CORPORATE PAI AND SOVEREIGN PAI AT FUND LEVEL

The table below summarizes the pillars of our sustainable investment approach which we can rely on to consider and address or mitigate each of the corporate and sovereign PAI. All our article 8 funds apply pillar 2 – stewardship, pillar 3 – responsible business conduct, pillar 4 – forward-looking perspective (the ‘mandatory pillars’), as well as pillar 1 – ESG integration

(the ‘optional pillar’). Based on the combination of these three mandatory pillars and the optional pillar, all our article 8 funds consider and address or mitigate the 14 mandatory corporate PAI, the three voluntary corporate PAI and the two sovereign PAI.

|            |                                                                                                                                                                | MANDATORY PILLAR                                                  |                                                                               |                                                                                 | OPTIONAL PILLAR                                                                              | Requirements at fund level to prove we consider, address or mitigate a PAI |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
|            | PAI Indicator                                                                                                                                                  | Pillar 2 Stewardship                                              | Pillar 3 Responsible Business Conduct (Exclusions)                            | Pillar 4 Forward-looking perspective: the ‘3Es’                                 | Pillar 1 ESG Integration – proprietary ESG score                                             |                                                                            |
| CORPORATES | 1. GHG Emissions                                                                                                                                               | • Engagement and proxy voting linked to climate/GHG emissions     | • Our RBC includes exclusions linked to climate/GHG emissions <sup>14</sup> . | • BNPP AM have some strategic research projects on climate/GHG emissions topic. | BNPP AMs ESG scoring includes some indicators on GHG emissions <sup>15</sup> .               | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |
|            | 2. Carbon footprint                                                                                                                                            |                                                                   |                                                                               |                                                                                 |                                                                                              | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |
|            | 3. GHG intensity of investee companies                                                                                                                         |                                                                   |                                                                               |                                                                                 |                                                                                              | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |
|            | 4. Exposure to companies active in the fossil fuel sector                                                                                                      |                                                                   |                                                                               |                                                                                 | BNPP AMs ESG scoring includes some proxy indicators related to GHG emissions <sup>16</sup> . | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |
|            | 5. Share of non-renewable energy consumption and production                                                                                                    |                                                                   |                                                                               |                                                                                 | BNPP AMs ESG scoring includes some indicators on renewable energy <sup>17</sup> .            | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |
|            | 6. Energy consumption intensity per high-impact climate sector                                                                                                 |                                                                   | /                                                                             |                                                                                 | BNPP AMs ESG scoring includes an indicator on Scope 2 GHG emissions <sup>18</sup> .          | Comply with Pillar 2, 4 and 1 or 5.                                        |
|            | 7. Activities negatively affecting biodiversity-sensitive areas                                                                                                | • Engagement linked to biodiversity                               | • Our RBC includes exclusions to biodiversity                                 | • BNPP AM have some research projects on the biodiversity topic.                | BNPP AMs ESG scoring includes some indicators on biodiversity <sup>19</sup> .                | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |
|            | 8. Emissions to water                                                                                                                                          | • Engagement linked to water                                      | • Our RBC includes exclusions linked to water.                                | • BNPP AM have some research projects on the water topic.                       | BNPP AMs ESG scoring includes an indicator related to water effluent <sup>20</sup> .         | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |
|            | 9. Hazardous waste and radioactive waste ratio                                                                                                                 | • Engagement linked to waste                                      | • Our RBC includes exclusions linked to waste                                 | /                                                                               | BNPP AMs ESG scoring includes some indicators on hazardous waste <sup>21</sup> .             | Comply with Pillar 2, 3 and 1.                                             |
|            | 10. Violations of UN Global Compact Principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (MNE) | • Engagement and proxy voting linked to UNGC/OECD MNE Guidelines. | • Our RBC includes exclusions linked to UNGC/OECD MNE Guidelines.             | • Regular evaluation of companies in violation of UNGC Principles.              | BNPP AMs ESG scoring includes some indicators related to UNGC/OECD MNEs <sup>22</sup> .      | Comply with Pillar 3.                                                      |
|            | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises      |                                                                   |                                                                               |                                                                                 | BNPP AMs ESG scoring includes some indicators related to UNGC/OECD MNEs <sup>23</sup> .      | Comply with Pillar 2, 4 and 1.                                             |
|            | 12. Unadjusted gender pay gap                                                                                                                                  | /                                                                 | /                                                                             | Roadmap on equality and inclusive growth                                        | BNPP AMs ESG scoring includes an indi- cator related to diversity <sup>23</sup> .            | Comply with Pillar 4 and 1 or 5.                                           |
|            | 13. Board gender diversity                                                                                                                                     | • Engagement and proxy voting linked to board gender diversity.   | /                                                                             |                                                                                 | BNPP AMs ESG scoring includes an indicator related to board gender diversity.                | Comply with Pillar 2, 4 and 1 or 5.                                        |
|            | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)                                       | /                                                                 | • Exclusions associated to weapons.                                           | N/A                                                                             | N/A                                                                                          | Comply with Pillar 3.                                                      |

13 PAI 5 – Share of non-renewable energy consumption and production is partially covered by our RBC since our coal policy for power generators addresses indirectly non-renewable energy production. PAI 4 – Exposure to companies active in the fossil fuel sector is partially addressed through our RBC exclusions on coal and unconventional oil and gas.

14 Our carbon intensity is calculated as Scope 1+2 Emissions/Adj. Enterprise Value. Our current carbon metrics in BNPP AMs proprietary ESG scoring framework do not exactly align with PAI 1-3 definitions since we use different financial denominators for calculating metrics. Also, BNPP AM is working to include Scope 3 carbon data in our ESG scoring.

15 The indicators related to ‘GHG emissions’ and ‘sector-specific carbon performance’ are used as a proxy for PAI 4 – Exposure to companies active in the fossil fuel sector.

16 The indicators on ‘renewable energy program to increase the use of renewable energy’ and ‘share of renewable energy consumption’ are used as a proxy for PAI 5 – Share of renewable energy consumption and production.

17 The indicator on absolute GHG emissions includes Scope 2 and therefore it can be considered to cover indirect emissions from purchased energy.

18 The indicators on ‘incidents related to supplier failures to protect biodiversity’ and ‘assessment of the quality of programs to protect biodiversity’ are used as a proxy for PAI 7 – Activities negatively affecting biodiversity-sensitive areas.

19 The indicator on the ‘assessment of the strength of a company’s initiative to treat effluent generated through its production process prior to release to the environment’ is used a proxy for PAI 8 – Emissions to water generated by companies.

20 The indicators on the ‘assessment of the strength of a company initiative to reduce hazardous waste from its own operations’, the ‘assessment of a company’s program to manage the environmental risks associated with radioactive waste’, and the ‘incidents related to a company’s poor management and disposal of hazardous waste, radioactive waste that have a potential negative impact on human health and lead to contamination of water, land and air’ are used as a proxy for PAI 9 – Tons of hazardous waste generated by companies.

21 Several indicators related to UNGC Principle and OECD Guideline thematics (such as indigenous rights policy, human rights programs, discrimination policy, bribery and corruption programs, etc.) are used as a proxy for PAI 11 – Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD MNE Guidelines.

22 The indicator on the ‘assessment of the strength of a company’s initiative to increase the diversity of its workforce’ is used a proxy for PAI 12 – Average unadjusted gender pay gap.

|                     |                                                                                           | MANDATORY PILLAR                                                  |                                                                   |                                                                                                                            | OPTIONAL PILLAR                                                                                 |   | Requirements at fund level to prove we consider, address or mitigate a PAI |
|---------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---|----------------------------------------------------------------------------|
|                     | PAI Indicator                                                                             | Pillar 2 Stewardship                                              | Pillar 3 Responsible Business Conduct (Exclusions)                | Pillar 4 Forward-looking perspective: the '3Es'                                                                            | Pillar 1 ESG Integration – proprietary ESG score                                                |   |                                                                            |
| SOVEREIGN MANDATORY | Environment<br>V4. Investments in companies without carbon emission reduction initiatives | • Engagement and proxy voting linked to climate/GHG emissions.    | • Our RBC includes exclusions linked to climate/GHG emissions     | • BNPP AMs have some research projects related to the integration of additional GHG emissions data and net zero alignment. | • BNPP AMs ESG scoring includes an indicator related to the quality of GHG reduction programs.  | • | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |
|                     | Social<br>V4. Lack of a supplier code of conduct                                          | • Engagement and proxy voting linked to UNGC/OECD MNE Guidelines. | • Our RBC includes exclusions linked to UNGC/OECD MNE Guidelines. | • Regular evaluation of companies in violation of UNGC Principles.                                                         | • BNPP AMs ESG scoring includes an indicator on social supply chain standards.                  |   | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |
|                     | Social<br>V9. Lack of a human rights policy                                               |                                                                   |                                                                   |                                                                                                                            | • BNPP AMs ESG scoring includes an indicator on 'human rights policy'.                          |   | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |
|                     | 15. GHG intensity                                                                         | • BNPP AM engagement with policymakers.                           | /                                                                 | • BNPP AMs have a research project on the development of a sovereign carbon footprint methodology and measurement.         | • BNPP AMs ESG scoring for sovereigns includes some indicators on GHG emissions <sup>24</sup> . |   | Comply with Pillar 2, 4 and 1.                                             |
|                     | 16. Investee countries subject to social violations                                       |                                                                   | /                                                                 | • BNPP AMs have some research projects related to sovereign ESG scoring model and SDG framework for sovereigns.            | • BNPP AMs ESG scoring includes some indicators linked to social violations <sup>25</sup> .     | • | Comply with Pillar 2, 3, 4 and 1 or 5.                                     |

23 BNPP AMs ESG scoring for sovereigns only includes an absolute GHG emissions indicator at the moment. BNPP AMs sovereign carbon footprint methodology will allow us to have an intensity.

24 The indicators related to labor & social protection, control of corruption, democratic life and security are used as a proxy for PAI 16 – Number of investee countries subject to social violations.

## APPENDIX 6 – ADHERENCE TO INTERNATIONAL STANDARDS

BNPP AM was a founding signatory of the Principles for Responsible Investment (PRI). They respond every year to the PRI detailed report and have received an A or A+ rating, the highest possible, on a continuous basis. They also report every year on the progress against the six principles of the PRI in their annual Sustainability Report. As Alfred Berg is majority owned by BNPP AM, we follow the initiatives taken by BNPP AM.

BNPP AM is an active member of the following industry, multi-stakeholder or public initiatives and networks in relation to sustainable finance, environmental, social or governance issues:

On climate change and environmental issues:

- TCFD – Task Force on Climate-related Financial Disclosures (<https://www.fsb-tcfd.org/>)
- IIGCC – International Investors Group on Climate Change (<http://www.iigcc.org/>)
- AIGCC – Asia Investor Group on Climate Change (<https://www.aigcc.net/>)
- CERES – Coalition for Environmentally Responsible Economies (<https://www.ceres.org/>)
- TPI – Transition Pathway Initiative (<https://www.transitionpathwayinitiative.org/>)
- CDP – Carbon Disclosure Project (<https://www.cdp.net/fr>)
- CBI – Green Bonds & Climate Bonds (<https://www.climatebonds.net/>)
- ICMA – Green Bond Principles (International Capital Market Association)
- TNFD – Taskforce on Nature-related Financial Disclosure\* (<https://tnfd.info/>)
- NZAM - Net Zero Asset Managers initiative (<https://www.netzeroassetmanagers.org/>)

On governance issues:

- ACGA – Asian Corporate Governance Association (<https://www.acga-asia.org/>)
- CII – Council of Institutional Investors (<https://www.cii.org/>)
- ICGN – International Corporate Governance Network (<https://www.icgn.org/>)
- Eumedion – Group of Institutional Investors on Corporate Governance and sustainability performance (<https://en.eumedion.nl/>)
- Harvard Institutional Investor Forum (<http://www.pii.law.harvard.edu/harvard-institutional-investors-forum.shtml>)

On social issues:

- GNI – Global Network Initiative (<https://globalnetworkinitiative.org>)
- HCMC – Human Capital Management Coalition (<http://uawtrust.org/hcmc>)
- ATMI – Access to Medicine Index (<https://accesstomedicinefoundation.org/access-to-medicine-index>)
- ATNI – Access to Nutrition Index (<https://accesstonutrition.org/>)
- Benchmark for Farm Animal Welfare (<https://www.bbfaw.com/>)
- FAIRR – Farm Animal Investment Risk and Return Initiative (<https://www.fairr.org/>)

On sustainable finance:

- UNPRI – United Nations-supported Principles for Responsible Investment (<https://www.unpri.org/>)
- EU Platform on Sustainable Finance\* ([https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en) )
- Comité Climat et Finance Durable de l'AMF (<https://www.amf-france.org/en/amf/our-organization/climate-and-sustainable-finance-commission>)
- EFAMA ESG and Stewardship Committee (<https://www.efama.org/>)
- AFG – Association Française de la Gestion financière (<http://www.afg.asso.fr/index.php/fr/isr/presentation>)
- FIR – Forum pour l'Investissement Responsable (<http://www.frenchsif.org>)
- HKGFA – Hong Kong Green Finance Association ([www.hkgreenfinance.org/](http://www.hkgreenfinance.org/))
- IMAS – Investment Management Association of Singapore (<http://www.imas.org.sg/>)
- ICCR – Interfaith Center on Corporate Responsibility (<https://iccr.org/>)
- MAAM – Malaysian Association of Asset Managers (<https://maam.org.my/>)
- ASEAN Capital Markets Forum (<https://www.theacmf.org/initiatives/sustainable-finance>)
- IFC – Operating principles for impact management ([https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/development+impact/principles/opim](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/principles/opim))

\*We are members through BNP Paribas Group.

As part of the BNP Paribas Group, we are committed to observing the following standards:

Universal principles

For many years, BNP Paribas' actions have followed the framework of:

- United Nations Global Compact (Advanced level);
- United Nations Women's Empowerment Principles.

Financial industry principles

BNP Paribas actively participates in designing and implementing long-term social and environmental solutions within the framework of:

- Equator Principles;
- UNEP FI's Principles for positive impact finance;
- Principles for Responsible Banking
- Principles for Responsible Investment (PRI)
  - BNP Paribas Asset Management

- BNP Paribas Capital Partners
- BNP Paribas Real Estate Investment Management
- BNP Paribas Cardif
- BNP Paribas Securities Services

Commitments specific to the environment

BNP Paribas' environmental commitments:

- Banking Environment Initiative (BEI) and its Soft Commodities Compact;
- Roundtable on Sustainable Palm Oil (RSPO);
- Science Based Target initiative;
- Breakthrough Energy Coalition;
- Task Force on Climate-related Financial Disclosures (TCFD);
- Katowice Agreement;
- Act4nature initiative;
- Afep's commitments to the circular economy;
- Medef's Business Climate Pledge

Policies and procedures related to ethical business practices  
BNP Paribas holds itself to the highest ethical standards and is committed to responsible business conduct through a suite of policies and procedures, including:

- Employee Code of Conduct
- Statement of BNP Paribas on human rights;
- Anti-Corruption Policy;
- Charter for responsible representation with respect to public authorities;
- Sustainable Sourcing Charter for BNP Paribas suppliers;
- BNP Paribas Responsible Business Principles.

The above policies can be found on the Group's website at: <https://group.bnpparibas/en/publications>

Aligning our portfolios with the objectives of the Paris Agreement

Our objective is to make a substantive contribution to the transition to carbon neutrality by 2050. We have two targets to structure our work towards this objective:

1. To progressively align our investment portfolios with the goals of the Paris Agreement.
2. To encourage our investee companies and countries to align their strategies with the goals of the Paris Agreement.

Aligning our portfolios

BNPP AM aim to align portfolios, firstly, by reducing the exposure to fossil fuels in line with the well-below 2°C International Energy Agency (IEA) Sustainable Development Scenario (SDS). Of all the scenarios in line with the objectives of the Paris Agreement, this is the most reliable

and widely used.

As part of that commitment, we have introduced enhanced policies on coal and unconventional oil & gas, further strengthening our existing approach.

BNPP AM are assessing how companies are managing climate-related risks and opportunities; but more concretely, they are examining how carbon intensities (current and expected) within the seven most carbon-intensive sectors compare to the IEA SDS. BNPP AMs assessments will allow us to benchmark companies' emissions trajectories against the international target defined by the Paris Agreement and will inform our active engagement with these issuers. We aim to align our investments in those seven sectors to the global target, starting with the electric utilities sector.

Carbon footprint of our funds

Alfred Berg has started measuring the carbon footprint of our portfolios. In May 2015 BNPP AM were among the first signatories of the Montreal Carbon Pledge, and committed to progressively measure and report the carbon footprint of open-ended funds. Today we measure the carbon footprint of both equity and fixed income portfolios.<sup>26</sup> Alfred Berg factsheets have evolved to include two new indicators – ESG Global Score and the carbon footprint of the fund versus the benchmark.<sup>27</sup>

Green share of our investments

We have committed to measure our 'sustainable economic' investments, in line with the forthcoming EU taxonomy, once available and to the extent possible. In March 2019, ahead of the approval of the Taxonomy Regulation and the publication of the Delegated Acts on climate change mitigation and adaptation, BNPP AM committed in their GSS to start working towards measuring the green share as a percentage of total assets under management or total green investments defined as the sustainable economic activities in the forthcoming EU Taxonomy.

| MEMBERSHIPS                                                                                                                       | SUPPORTER SINCE | PRIMARY FOCUS     |                              |                               |       |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------|------------------------------|-------------------------------|-------|
|                                                                                                                                   |                 | ENERGY TRANSITION | ENVIRONMENTAL SUSTAINABILITY | EQUALITY AND INCLUSIVE GROWTH | OTHER |
| Asia Investor Group on Climate Change (AIGCC)                                                                                     | 2018            | X                 |                              |                               |       |
| Association Française de la Gestion Financière (AFG)                                                                              | 10+ years       |                   |                              |                               | X     |
| CDP                                                                                                                               | 2012            | X                 | X                            |                               |       |
| Ceres                                                                                                                             | 2019            | X                 | X                            |                               |       |
| Council of Institutional Investors (CII)                                                                                          | 2018            |                   |                              |                               | X     |
| European Fund and Asset Management Association (EFAMA)                                                                            | 10+ years       |                   |                              |                               | X     |
| Eumedion                                                                                                                          | 2018            |                   |                              |                               | X     |
| Farm Animal Investment Risk and Return Initiative (FAIRR)                                                                         | 2021            | X                 | X                            |                               |       |
| Forum pour l'Investissement Responsable (FIR)                                                                                     | 10+ years       |                   |                              |                               | X     |
| Global Network Initiative (GNI)                                                                                                   | 2018            |                   |                              | X                             |       |
| International Corporate Governance Network (ICGN)                                                                                 | 10+ years       |                   |                              |                               | X     |
| Institutional Investors Group on Climate Change (IIGCC)                                                                           | 10+ years       | X                 |                              |                               |       |
| Partnership for Biodiversity Accounting Financials (PBAF)                                                                         | 2021            |                   | X                            |                               |       |
| UN Environment Program Finance Initiative (UNEP-FI)                                                                               | 10+ years       | X                 | X                            |                               |       |
| <b>INVESTOR STATEMENTS AND OTHER INITIATIVES</b>                                                                                  |                 |                   |                              |                               |       |
| Align (European Commission, WCMC Europe, Capitals Coalition, Arcadis, ICF, UNEP-WCMC)                                             | 2021            |                   | X                            |                               |       |
| Business Call for a UN Plastics Treaty                                                                                            | 2021            |                   | X                            |                               |       |
| Climate Action 100+                                                                                                               | 2017            | X                 |                              |                               |       |
| Financial Institution Statement ahead of the Convention on Biological Diversity COP15 (Ceres/Finance for Biodiversity Foundation) | 2021            |                   | X                            |                               |       |
| GNI Principles on Freedom of Expression and Privacy (GNI)                                                                         | 2018            |                   |                              | X                             |       |
| Global Investor Statement to Governments on the Climate Crisis (Investor Agenda)                                                  | 2021            | X                 |                              |                               |       |
| Global Investor Statement in Support of an Effective, Fair and Equitable Global Response to COVID-19 (Access to Medicine Index)   | 2021            |                   |                              | X                             |       |
| Global Investor Statement on Farm Animal Welfare (Business Benchmark for Farm Animal Welfare)                                     | 2016            |                   |                              |                               | X     |
| Green Bond Principles (International Capital Markets Association)                                                                 | 2017            | X                 | X                            |                               |       |
| Hong Kong Principles of Responsible Ownership (Hong Kong Securities and Futures Commission)                                       | 2019            |                   |                              |                               | X     |
| Inevitable Policy Response (PRI)                                                                                                  | 2021            | X                 |                              |                               |       |
| Investor Agenda (AIGCC, CDP, Ceres, IIGCC, UNPRI, UNEP-FI)                                                                        | 2018            | X                 |                              |                               |       |
| Investor Expectations on Deforestation in Soybean Supply Chains (PRI, Ceres)                                                      | 2019            |                   | X                            |                               |       |
| Investor Expectations on Deforestation in Cattle Supply chains (PRI, Ceres)                                                       | 2019            |                   | X                            |                               |       |
| Investor Expectations on Corporate Lobbying on Climate Change (IIGCC, AP7, CEPB, PRI)                                             | 2018            | X                 |                              |                               |       |
| Investor Expectations on Nutrition, Diets and Health (Access to Nutrition Initiative)                                             | 2014            |                   |                              |                               | X     |
| Investor Position Statement on Corporate Net Zero Transition Plans (IIGCC)                                                        | 2021            | X                 |                              |                               |       |
| Investor Statement (Access to Medicine Index)                                                                                     | 2016            |                   |                              |                               | X     |
| Investor Statement on the Bangladesh Accord on Fire and Building Safety (ICCR)                                                    | 2014            |                   |                              | X                             |       |
| Investor Statement (FAIRR)                                                                                                        | 2021            |                   | X                            |                               |       |
| Investor Statement on Forced Labour in Global Supply Chains (Know The Chain, Investor Alliance for Human Rights)                  | 2019            |                   |                              | X                             |       |
| Malaysian Code for Institutional Investors (Securities Commission Malaysia)                                                       | 2019            |                   |                              |                               | X     |
| Methane risk in oil & gas sector (PRI)                                                                                            | 2017            | X                 |                              |                               |       |
| Montreal Carbon Pledge (PRI, UNEP-FI)                                                                                             | 2015            | X                 |                              |                               |       |
| Net Zero Asset Managers Initiative                                                                                                | 2021            | X                 |                              |                               |       |
| New Plastics Economy Global Commitment (Ellen MacArthur Foundation, UNEP)                                                         | 2018            |                   | X                            |                               |       |
| Operating principles for impact management (International Finance Corporation)                                                    | 2019            | X                 | X                            | X                             |       |
| Principles for Responsible Investment (PRI)                                                                                       | Founding Member |                   |                              |                               | X     |
| SPOTT Palm oil, Timber, Pulp and Paper (Zoological Society of London)                                                             | 2018            |                   | X                            |                               |       |
| Statement of Support for Extended Producer Responsibility Schemes for Packaging (Ellen MacArthur Foundation)                      | 2021            |                   | X                            |                               |       |
| Task Force on Climate-related Financial Disclosures                                                                               | 2017            | X                 |                              |                               |       |
| Tobacco-Free Finance Pledge (Tobacco Free Portfolios)                                                                             | 2018            |                   |                              | X                             |       |
| Transition Pathway Initiative                                                                                                     | 2018            | X                 |                              |                               |       |

# ALFRED BERG POLICY REVISION HISTORY

| Date          | Revision   |
|---------------|------------|
| December 2022 | New Policy |

## DISCLAIMER

BNP Paribas Asset Management France, “the investment management company”, is a simplified joint stock company with its registered office at 1 boulevard Haussmann 75009 Paris, France, RCS Paris 319 378 832, registered with the “Autorité des marchés financiers” under number GP 96002.

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