

Submission ID

F44013

Region

Hong Kong

Category

Environmental

Name of firm

BNP Paribas Asset Management

The Flagship Fund's name

BNP Paribas Funds Energy Transition

The Fund's ISIN Code

LU0823414635

Data as of the quarter-end

30/06/2021

Total Fund Size (including all share classes)

3.8 billion euros

Total Number of Portfolio Manager(s)

Two co-portfolio managers

Total Number of Analysts

3.5 analysts dedicated to the fund full-time.

Is this an SFDR-approved fund?

9

1. Investment style consistency: Who has the ultimate responsibility for keeping the investment style consistent under all conditions and circumstances?

The lead portfolio manager/s of this strategy

Additional Remarks, if any (maximum 250 words)

The co-portfolio managers of the BNP Paribas Energy Transition Fund, Ulrik Fugmann and Edward Lees, are both co-Heads of the Environmental Strategies Group at BNPP AM. Having met in 2000 and collaborated ever since, Ulrik and Edward each have more than 20 years investment management experience across investment banking investment groups and asset management with a focus on thematic investments in equity markets. They have a particular focus on energy, materials, agriculture, industrial and related technology markets, with additional experience across other asset classes such as credit, private equity and venture capital.

Their investment strategy follow our sustainable investment approach, as explained in our Global Sustainability Strategy. This includes in particular our ESG integration Guidelines, which ensure our investment teams have a consistent ESG integration process with an emphasis on environmental sustainability; namely aiding out transition to a low carbon economy. While the lead PM, together with his/her team, is in charge of delivering on these, it is monitored at the CIO office level, with regular review by the investment committee.

2. Investment style consistency: If the investment style deviates, are there material, negative consequences for the person with ultimate responsibility for ensuring style consistency?

No, there are no material consequences

Additional Remarks, if any (maximum 250 words)

Due to magnitude, severity and support for environmental challenges, the co-portfolio managers of the Energy Transition fund have a firm belief that a high purity environmental solutions portfolio holds an increasing value to society and thus will outperform the broader market over time. It will also deliver considerable impact to its investors and clients. In line with this dual return objective (environmental and economic), the portfolio managers report on the environmental and financial

3. Do you take ESG as Investment/Divestment materiality consequences?

Yes.

Selected: Yes - How would you allocate ESG consequences as material impact for this particular

Environmental

33,3

Social

33.3

Governance

33.3

4. ESG as Investment Process [v]: Is ESG information is used in an investment product's investment process or stewardship activities?

Yes

Additional Remarks, if any (maximum 250 words)

The team provide a Climate & ESG report for the Energy Transition fund, provided each quarter. It is a large-scale and in-depth investigation into the environmental impact of the portfolio and an estimation of the environmental benefits it delivers. It has a number of additional metrics such as the proportion of revenue generated by the funds holdings which are dedicated to environmental solutions, SDG alignment, sub-theme breakdown, waste, water, pollution, carbon emission and recycling metrics and case-studies of portfolio holdings driving high impact on the ground.

Selected: Yes

The investment product's compliant presentation includes a description of the sources and types of ESG information used in the investment process or stewardship activities

As investment managers, we allocate efforts to evaluate the reliability of the ESG information used, including the following:

The portfolio managers are allowed to buy securities outside of the list of securities approved by the investment committee and/or CIO

Selected: As investment managers, we allocate efforts to evaluate the reliability of the ESG information used, including the following:

independent evaluation of information reported by investees or provided by ESG data providers

cross-referencing two or more sources of information

evaluation of the accuracy or completeness of a dataset when determining the sources and types of ESG information that will be used in the investment process

evaluation of models that estimate or interpolate missing data elements

evaluation of how inherent uncertainty in specific data sets might affect investment decisions

establishment of data quality monitoring and controls

taking steps to validate anomalies, including notifying sources of potential errors

5. Is your flagship fund approved or aligned with the EU Sustainable Finance Disclosure Regulation

Yes, our fund is aligned with the SFDR – Article 9: products targeting sustainable investments as an objective, and our investment activities are targeted at:

Selected: Yes, our fund is aligned with the SFDR – Article 9: products targeting sustainable investments as an objective, and our investment activities are targeted at:

That contributes to an environmental objective, such as the use of energy, renewable energy, raw materials, water and land, the production of waste, greenhouse gas emissions, etc.

Do no significant harm

That has at least one stream of green revenue

That engage in at least one Environmental related SDG

That encounter in at least one Social related SDG

That does PAI screening

That abide by International norms such as the ILO Conventions or OECD Guidelines

That is aligned with the UNGC

6. To what extent do you consider Principal Adverse Impact (PAI)?

Yes, we consider principal adverse impacts, whether material or likely to be material, of investment decisions on sustainability factors

We assess Environmental KPIs, including:

We assess Social KPIs, including:

We assess Governance KPIs, including:

Selected: We assess Environmental KPIs, including:

Air Emissions

Energy Management

Waste Management

Water Management

Other KPIs that may apply, and please define the qualitative metrics such as deforestation policy, biodiversity protection, water strategy, etc. applicable to the Environmental pillar:

Please define the qualitative metrics such as deforestation policy, biodiversity protection, water strategy, etc. applicable to the Environmental pillar:

Pollution management, recycling, renewable energy vs fossil energy ratios

Selected: We assess Social KPIs, including:

Human Capital-Diversity

Human Capital-Human Rights

Other KPIs that may apply, and please define the qualitative metrics such as forced labor, child labor, social grievance mechanisms, supplier code of conduct, etc. applicable to the Social pillar:

Please define the qualitative metrics such as forced labor, child labor, social grievance mechanisms, supplier code of conduct, etc. applicable to the Social pillar:

The first two metrics are reported against in our Climate & ESG report, provided on a quarterly basis. For the remaining metrics, these are assessed by the BNP Paribas Asset Management Sustainability Centre and rolled up into their bespoke ESG framework. The workings and results of these scores are provided to Portfolio Managers where the exposure and management of these governance risks are considered. When a company is not scored by the BNP Paribas bespoke framework, the investment team conduct a bespoke qualitative review which is evaluated formally by the relevant industry specialist in the Sustainability Centre

Selected: We assess Governance KPIs, including:

Anti-Corruption

Business Ethics

Management & Board

Other KPIs that may apply, and please define the qualitative metrics such as anti-corruption policy, anti-competitive legal proceedings, whistleblowing, etc. applicable to the Governance pillar:

Please define the qualitative metrics such as anti-corruption policy, anti-competitive legal proceedings, whistleblowing, etc. applicable to the Governance pillar:

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7. Is your strategy aligned with the TCFD recommendations?

Yes

I. Governance: How is your organization's governance designed around climate-related risks and opportunities?

Our sustainability governance structure is the following:

- A well resourced Sustainability Centre develops and implements our approach to sustainability and is led by Jane Ambachtsheer
- BNPP AM France Board of Directors supervises and reviews the sustainability approach and proxy voting policy at least annually
- The quarterly Sustainability Committee oversees and validates our approach to sustainability chaired by our CEO (including CIOs, Head of Client Marketing and Head of Brand and Communication)
- The monthly Investment Committee has a dedicated sustainability focus and follow up on ESG
- The bi-annual Proxy Voting Committee reviews voting and engagement implementation, oversees voting policy evolutions, it is chaired by our Equity CIO

And our governance is aligned with the BNP Paribas Group sustainability strategy.

II. Strategy: What does your organization's strategy address the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, approach, and financial

Climate change is identified as having a significant impact on the value of our investments. Energy transition a key pillar of our Global Sustainability Strategy and climate risks are included in our firm-wide approach to sustainable investment. We are also developing our low carbon/Paris Aligned offering in our Sustainable+ range of funds.

III. Risk Management: What are the processes used by your organization to identify, assess, and manage climate-related risks?

BNPP AM has sector policies covering most sensitive sectors for climate change (e.g. coal mining, coal-fired power generation). BNPP AM committed to aligning its portfolios with the Paris Agreement in 2015 and in 2020 implemented a significantly tighter exclusion policy on companies engaged in the mining of thermal coal and the generation of electricity from coal. BNPP AM also enhanced its policy on Unconventional Oil & Gas. Climate indicators are integrated in investment decisions, with engagement to encourage better disclosure and practices.

IV. Metrics and Targets: What are the high-level metrics and targets used to assess and manage relevant climate-related risks and opportunities?

BNPP AM started publishing the carbon footprint of its funds and has set up portfolio KPIs, such as targeting a higher weighted average ESG score and a lower carbon footprint than the benchmark. We also publish an annual Sustainability Report and an annual TCFD report is published by the BNP Paribas

8. Is your flagship fund aligned with the United Nations Sustainable Development Goals (UNSDG)?

Yes

Selected: Yes - Which are UNSDG you have targeted to achieve impact?

Goal 7: Affordable and Clean Energy

Goal 9: Industry, Innovation, and Infrastructure

Goal 11: Sustainable Cities and Communities

9. Does your initiative target to create environmental impact?

Energy Efficiency

Green Buildings

Renewable Energy

Others (please specify)

Please specify.

Green materials for the Energy Transition e.g. new, green ways to extract lithium.

10. Does your initiative target to create social impact?

Affordable Housing

11. What is your primary approach to impact investment?

I invest solely (i.e., 95-100% of the portfolio) in companies that offer products and services that generate positive, material, social, or environmental outcomes

12. Please describe how you measure quantifiable, non-financial returns (i.e., social or environmental impact) post-investment.

As a brief summary, the BNP Paribas Energy Transition strategy targets companies which provide the environmental solutions to our global climate change problem. The strategy is centered around a dual-return principle: driving a high ROR and a positive environmental impact – in terms of decarbonization. It invests across all market caps, geographies and sectors across the follow three sub-themes; “renewable energy”, “energy efficiency, technology and materials” and “energy infrastructure &

The portfolio ensures that none of the ESG ratings fall within the bottom decile of BNP Paribas’ bespoke ESG rating rank. The team also report on the average ESG rating of the portfolio in comparison to its broad based reference index (the MSCI ACWI). In the last report, the fund had a better ESG rating than its reference index. Striving beyond ESG, the team have modelled their own, bottom-up analysis of emissions, water & pollution footprint of the portfolio. The metrics are tangible to clients and have received great feedback.

13. What has been the critical social or environmental benefits generated by the fund in the three years to 30 June 2021 (if the fund has a shorter track record, then please mention the results since

Refer to Appendix attached for Q13