

## **Pillar 4 - Stewardship**

### **1. Stewardship Activity: Engagement activities [iv] have been undertaken on behalf of investors to put stewardship into effect. These activities include:**

Participation in a shareholder meeting

Casting, abstaining, or withholding a vote on a management or shareholder resolution, on management or shareholder resolution

Filing a shareholder resolution

Commencement, continuation, modification, or discontinuation of an engagement with an investee company

Advocating for strong environmental, social, or governance practices

Stating a position or advocating for or against public policies or proposals that affect, or may affect, the investment product

### **2. Stewardship Monitoring scope: Our stewardship for investees/potential investees monitoring scopes include the following:**

On material[iii] environmental issues

On carbon footprint and exposures to climate risk

On material[iii] social issues

On material[iii] governance issues

On corporate culture and remuneration

On capital structure

On strategy

On overall material risks

On transparency

#### **Additional Remarks, if any (maximum 250 words)**

Our Stewardship priorities and approach are detailed in our Stewardship Policy:

<https://docfinder.bnpparibas-am.com/api/files/0E8C8C9C-0FC2-40FD-AC19-D00A5B235635>

Our stewardship activities on the above topics are reported in our stewardship reporting:

<https://docfinder.bnpparibas-am.com/api/files/3B205D07-DFD8-4EBF-9BAB-1CA5EA4ACE4F>

### **3. Stewardship Team: A dedicated stewardship team [iv] is set up to flag specific companies and issues for engagement which includes the undertakings below:**

All written communications and meeting records, including targeted outcomes of the engagement, are logged in the stewardship management system

Engagement is undertaken with the intent to improve a company's environmental and social resource management and to reduce risks related to environmental and social practices or activities

Engagement activities include in-person and virtual meetings, written correspondence, and emails

Engagement may occur with a company's board of directors, executive management, or investor relations and may be conducted independently or in collaboration with other investors through the fund's proxy voting and engagement service provider

#### **Additional Remarks, if any (maximum 250 words)**

BNPP AM's leadership and innovation in the Sustainable Investments arena is driven by the 28-person, multi-disciplinary Sustainability Centre (SC) that provides investment teams with research, analysis and data at company and sectoral levels. 3 members of this team are based in Asia, covering ESG research and stewardship. The team supports Greater China team in the integration of sustainability-related risks and opportunities into their investment strategies, particularly on active engagement activities. The investment team monitors the portfolio on an ongoing basis and performs risk-monitoring including on ESG characteristics such as scores, deciles, carbon footprint and controversies. Working in collaboration with the SC for ESG intelligence, ESG analysis is essential to challenge and complement our investment theses.

Stewardship help us generate investment insights and favorable ESG outcomes for our clients. Active company engagement is a key part of China Equities teams' process and helps both to bridge data gaps and and make better-informed investment decisions. Engagement activities with the companies are not only a defensive tool to screen out the bad actors, but also an offensive tool, which helps us create more touchpoints with the companies and uncover the next trends in the industries.

We monitor and report on our voting, engagement and public policy activities in our annual sustainability, stewardship and proxy voting reports and our website.

**4. Proxy Voting: At the product level, we have transparent proxy voting [iv] policies that are unique to this particular investment strategy:**

Yes

**Additional Remarks, if any (maximum 250 words)**

Our Governance & Proxy voting policy can be found here: <https://docfinder.bnpparibas-am.com/api/files/032ABDF8-873A-453D-9D91-22B2D35C99CB>

**Selected: Yes**

We disclose that the portfolio managers undertake proxy voting for the investment product while investee engagements are handled at the organizational level

The firm's Proxy Voting Committee purely determines voting decisions

The firm's Proxy Voting Committee determines voting decisions in conjunction with input from the strategy teams and a third-party proxy advisor

When voting against management, the following issues are typically prioritized based on:

We may vote against management on an issue, and when the Proxy Voting Committee has voted against management on an issue:

**Selected: When voting against management, the following issues are typically prioritized based on:**

Their potential to affect a company's financial performance

Board independence

Accountability

Shareholder rights

Transparency

ESG reporting

Environmental resource management issues that may increase the likelihood of regulatory fines or

**Selected: We may vote against management on an issue, and when the Proxy Voting Committee has voted against management on an issue:**

The engagement team initiates an engagement effort to discuss our specific concerns with

We engage with companies to encourage best governance practices, including those related to reporting on material ESG information

An automatic alert for review of each individual engagement effort is put in place based on the recommended follow-up time frame

Engagement efforts and progress are tracked and reviewed on an ongoing basis by the engagement  
Continued engagement efforts are recommended per our engagement policy

All written communications and summaries of any meetings with company management are documented and maintained in the centralized internal database

**5. Voting Disclosure: Please select the statements that describe your firm's practices related to**

Our disclosure on voting is available to ALL investors, from retail to institutional asset owners, without them having to make a request, i.e., the disclosure is on our website or another electronically accessible venue

**Additional Remarks, if any (maximum 250 words)**

Transparency is an essential element of our Global Sustainability Strategy. We publish each year our voting report publicly, including posting it on our website.

<https://docfinder.bnpparibas-am.com/api/files/2379E8F1-18C9-437E-9E53-E73471783176>

This website link provides an overview of our voting and engagement activities for the year under review, covering both quantitative and qualitative information:

<https://www.bnpparibas-am.com/en/our-approach-to-responsibility/as-a-responsible-investor/proxy-voting>

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**6. Engagement frequency: Teamwide over the last 1 year, we have engaged with investees/potential investees on the material[ii] issues selected above:**

Twice a year on average

**Additional Remarks, if any (maximum 250 words)**

Engagement intensity varies depending on the nature of engagement. Some engagements may require much more frequent touchpoints as they progress, as can be discussed during the oral interview for this award.

**7. Engagement Disclosure: Do you disclose your key engagement activities, along with the outcomes, to investors?**

Yes, we disclose in a separate report devoted to stewardship (electronic or printed)

**Additional Remarks, if any (maximum 250 words)**

Our stewardship activities on the above topics are reported in our stewardship reporting, e.g.: [3B205D07-DFD8-4EBF-9BAB-1CA5EA4ACE4F](https://www.bnpparibas-am.com/api/files/3B205D07-DFD8-4EBF-9BAB-1CA5EA4ACE4F) (bnpparibas-am.com)

**8. Actual Example - Please provide an ACTUAL example of how you executed ONE of the following, in a maximum of 500 words.**

An investment/divestment/change in security weight resulting from your engagement activities

**Please briefly describe the critical challenge/s, actions taken, results and lessons learned:**

The Energy Transition fund was investing in a company called Cell Impact. Cell Impact produces hydrogen flow plates which can be used in fuel cells and heat exchanges to decarbonize heat and power in applications where using green electricity is less viable.

Cell Impact proposed an equity raise to shareholders for undisclosed means however the Energy Transition team require more transparency so that they are assured that the capital will go towards the company's core strategy of deploying more green hydrogen technology and contributing to the Energy Transition. Co-portfolio manager, Edward Lees, engaged with Cell Impact, primarily Robert Sobocki, (Chairman of Cell Impact) who wrote back with an "enclosed our proposal of reading for a request for an emission allowance that hopefully BNP Paribas could accept" [Robert Sobocki, 01/11/21]. The proposal was indeed in line with expanding their production capacity and as result, the team voted in favor of the proposal. This engagement is one of many engagements ensuring that the capital raises of companies are in line with the growth of the company and its continued improvement of the environment, rather than to satisfy other management motivations.