

TRANSPARENCY CODE

BNP PARIBAS EASY € High Yield SRI Fossil Free

May 2022



BNP PARIBAS
ASSET MANAGEMENT

L'asset manager
d'un monde
qui change

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1. LIST OF FUNDS COVERED BY THIS TRANSPARENCY CODE

FUND NAME	STRATEGY	ASSET CLASS	EXCLUSIONS APPLIED BY THE FUND	FUND AUM AT 10/05/22 (€M)	DOCUMENTS
BNP PARIBAS EASY € High Yield SRI Fossil Free	Dominant strategy: - Best-in-universe - Selectivity Secondary strategy: - Exclusions	high-yield corporate bond issued in euros, all maturities	- Adult entertainment - Alcohol - Gambling - Tobacco - Military weapons - Civilian firearms - Nuclear energy - Genetically Modified Organisms (GMOs) - sectors exposed to fossil fuels	221	Documents

2. GENERAL DATA ON THE MANAGEMENT COMPANY



2A. NAME OF THE MANAGEMENT COMPANY IN CHARGE OF THE FUND(S) TO WHICH THIS CODE APPLIES

BNP Paribas Asset Management (BNPP AM)
14 rue Bergère
75009 Paris
<https://www.bnpparibas-am.fr/>

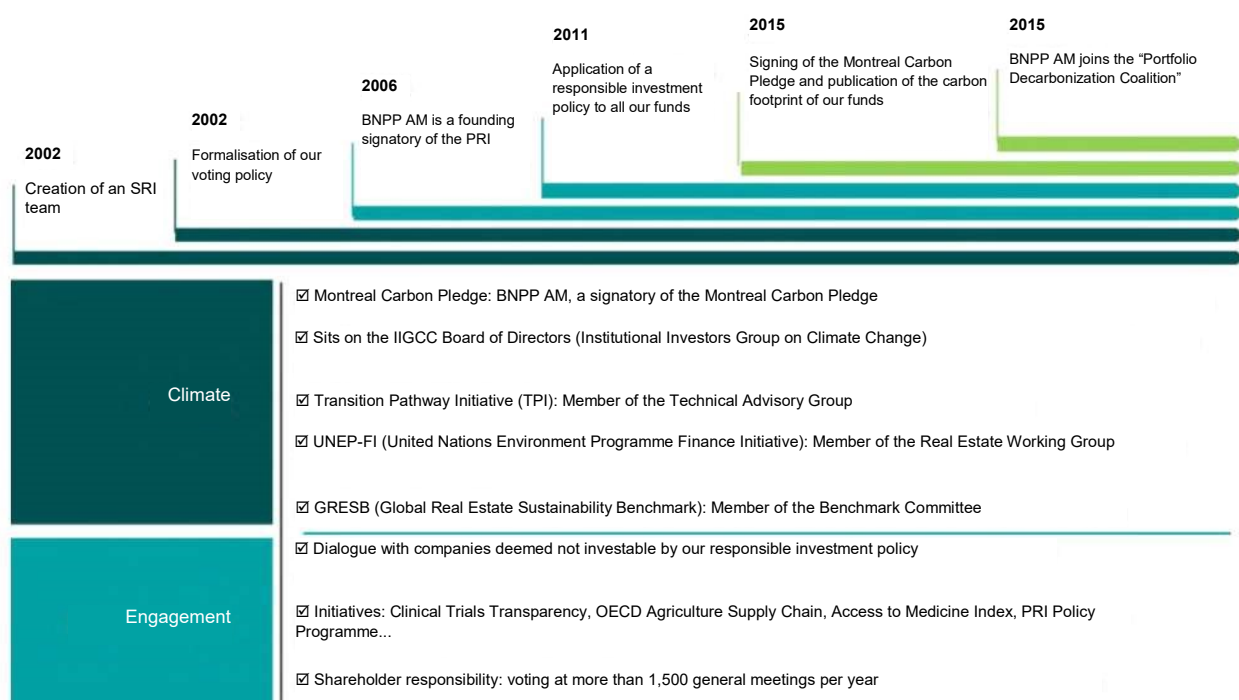
2B. WHAT ARE THE HISTORY AND PRINCIPLES OF THE RESPONSIBLE INVESTOR APPROACH OF THE MANAGEMENT COMPANY?

Responsible investment is a strategic area of development for BNPP AM, which has been committed for many years to integrating the **Environmental, Social and Governance (ESG)** dimensions into its products.

BNP Paribas Asset Management is one of the founding members and signatories of the **United Nations Principles for Responsible Investment (UN PRI)** and has adopted a responsible investment policy for all of its management teams, which is reviewed and validated twice a year by BNPP AM's CIO. This responsible investor approach is one of the pillars of the **Corporate Social Responsibility (CSR)** approach adopted by BNP Paribas Asset Management and is formalised in the **Charter Social and Environmental Responsibility Charter of BNPP AM**. We publicly report on the progress and results of our CSR approach in the [Responsible Investor Report](#).

[Responses to the PRI questionnaire](#)

Link to the [CSR Charter](#)



BNPP AM's Global Sustainability Strategy

For BNP Paribas Asset Management, investing responsibly is not just about adopting the social and environmental values we share with our clients, but also investing for a better future for our clients and future generations.

That is why we are aware of the importance of our role as a responsible investor, and it is in the interests of our clients that we bring this message to the companies in which we invest. We need to develop lasting relationships that enable us to engage more effectively and more relevantly on issues of the future such as the energy transition, environmental protection and equality and inclusive growth. These "3Es" are the forward-looking vision we describe in our "Global Sustainability Strategy".

In 2019, we strengthened our investment philosophy with the implementation of six sustainable investment convictions:

1. ESG integration helps us achieve better risk-adjusted returns.

Sustainable investing can both reduce risks and generate additional returns over the long term. We are convinced that this concept is still misunderstood, too little studied and evaluated financially, with little consistency in the indicators that are published.

In this context, we will make better investment decisions if we systematically and explicitly integrate ESG factors into our analysis.

2. Investing sustainably is part of our fiduciary duty

Regarding our clients, we have the duty to make investment decisions that take into account the reputational risks, as well as the operational and financial risks faced by the companies in which we choose to invest. ESG factors are an important component of this.

3. Dialogue with companies is an opportunity but also a duty

As long-term investors, we believe that we need to use engagement and voting to influence companies and the economy as a whole. We believe that this commitment is generally more effective than exclusion - although divesting can be a last resort.

4. We invest over the long term and for a sustainable future

We analyse the past in order to better anticipate future developments, while promoting an economic model that will be more favourable in the long term - a model focused on sustainable, low-carbon and inclusive growth.

5. A sustainable future economy relies on sustainable investment practices

Our way of investing and working with companies and governments can help shape the world around us. We believe that managing ESG risks will help to promote greater market stability and long-term sustainable growth, while promoting the return on our investments.

6. Applying CSR standards in line with issuers' expectations is crucial to achieving excellence

As a responsible company, we must adopt standards for our operational practices that are at least as strict as those we expect from the entities in which we invest. This is a priority for us. We are considering how to integrate sustainable development practices further into all aspects of our business, including the management of our working environment and involvement of our employees.

The pillars of sustainable investing:

For BNPP AM, sustainable investing has four pillars. Together, they contribute to the improvement of our management practices, notably through new investment ideas, optimisation of the composition of our portfolios, risk control and making the most of our influence on the companies and markets in which we operate.

1. ESG integration

Our analysts and managers consider relevant ESG factors throughout the investment process. In accordance with BNPP AM's convictions, this process allows them to identify risks or opportunities that other market participants may not be aware of, and which therefore provide them with a comparative advantage. The ESG integration process is guided by common formal principles and is overseen by an ESG Validation Committee. Our objective is to have each investment process - and by definition, each investment strategy - reviewed and approved by this committee between now and 2020. Further information is available in our document "ESG Integration Policy", available on request.

2. Voting, dialogue and engagement

We are investing thoughtfully in companies and have established detailed voting guidelines on a number of ESG issues. We believe a stronger dialogue with issuers can improve our investment processes and enable us to better manage risks for our clients.

Our Sustainability Centre managers and experts engage with the companies in which we invest, with the aim of encouraging them to commit to improving their practices and creating long-term value. In addition, we frequently meet with governments to discuss ways to combat climate change and address ESG issues as a whole.

We work closely with our peers and various civil society organisations, for example by participating in the Climate Action 100+ initiative to reduce the greenhouse gas emissions of the world's largest emitters.

3. Responsible business conduct and sector exclusions

We expect companies to respect, wherever they operate, the ten fundamental principles set out in the United Nations Global Compact, particularly with regard to human rights, labour rights, environmental protection and the fight against corruption. For active engagement, we identify companies that are lacking in these areas and exclude those that violate these fundamental principles.

We also have a set of sector policies that define investment conditions in specific sectors and guide our selection criteria and engagement practices. These policies are defined for activities that, if not carried out correctly, may cause serious social or environmental damage (such as palm oil production).

A second series of policies commits us to excluding specific sectors or products (tobacco, coal, controversial weapons and asbestos) because we believe that they are in violation of international standards or cause unacceptable harm to society or the environment without providing more benefits in return.

Our detailed approach is described in our “ [Responsible Business Conduct Policy](#)”.

4. A forward-looking vision: the ‘3Es’

The best performing investors grow from the lessons of the past and are focused on the future, especially in a rapidly changing world. We believe that three key points underpin a more sustainable and inclusive economic system: the energy transition; environmental protection; and equality. We have defined a set of objectives and developed key performance indicators to indicate how we will align our research, portfolios and engagement with companies and governments along these three issues, the “3Es”. These key indicators include:

- The carbon intensity (gCO₂/kWh) of management vis-à-vis the “Sustainable Development Scenario” (SDS) of the International Energy Agency (IEA); the portion of assets under management that are “green” (energy transition, Sustainable Development Goals - SDG - 7, 9 and 13);
- The “water” footprint of our management, the number of companies that commit to developing or have a policy in place on “No Deforestation, No Peat, No Exploitation” (NDPE) (environmental protection, SDG 6, 15);
- % of female directors on boards or number of company commitments to sustainable capital allocation decisions (equal access to inclusive growth for each, SDG 5, 8 and 10).

BNPP AM has developed a roadmap for implementing the Strategy over the next three years. In 2020, BNPP AM will focus on measuring and reporting on the impact and progress of its “Sustainability” initiatives. The company will gradually introduce additional objectives in line with each of the 3Es and the UN Sustainable Development Goals (SDGs), which refer to them.

2C. HOW DID THE MANAGEMENT COMPANY FORMALISE ITS RESPONSIBLE INVESTOR APPROACH?

BNP Paribas Asset Manager's responsible investor approach is formalised at [its website](#).

2D. HOW IS THE ISSUE OF ESG RISKS/OPPORTUNITIES ASSESSED, INCLUDING THOSE RELATED TO CLIMATE CHANGE, BY THE MANAGEMENT COMPANY?

The ESG risks identified in our responsible investment policy are reputational but also regulatory, operational, legal and financial. They can be grouped together by major areas: non-compliance with human rights, failure to respect the fundamental rights of workers, non-respect for the environment, and corrupt practices.

These main ESG risks are addressed through the minimum ESG standards required before each investment as defined by our responsible investment policy. Companies that do not meet our ESG requirements are considered to be high ESG risks and are excluded from our investment scope, with some exceptions (indexed funds that replicate the index).

As part of the adoption of our climate strategy, a discussion was initiated internally on the incorporation of 2°C scenarios in our investment policy as well as the consideration of the various risks related to climate change.

We have identified three types of carbon risks

- transition risks (risks generated by the process of adjusting to a low-carbon economy. Policy changes, technological and physical risks could lead to a revaluation of the value of a large number of assets as costs and/or opportunities materialise.
- physical risks (Consequences caused by climate events and/or weather events such as floods and storms that cause physical damage or disrupt trade).
- liability risks (Consequences that could occur if parties who have suffered losses or damage due to the effects of climate change take action against the companies they consider to be responsible to obtain compensation. Such actions could occur against companies that extract and emit carbon and, if they are covered by liability insurance, their insurers.)

Some climate change risks are currently being addressed through the central coal and mining sector policies applied within BNPP AM, which contain criteria for reducing our investments in thermal coal.

In order to contribute positively to the energy transition, BNPP AM has initiated a review of our role as an investor for a low-carbon economy. We signed the Montreal Carbon Pledge as well as the Portfolio Decarbonation Coalition and adopted [a climate strategy](#) in 2016 with 3 main pillars:

- Capital allocation (identifying and measuring carbon risks in our investments; taking these risks into account and reducing them, developing our offering of low-carbon solutions and financing the energy transition)
- Responsible practices (integration of climate change in our voting at general meetings, engagement with companies on their climate strategy)
- Transparency and involvement (taking into account our public commitments and publishing our actions; raising awareness and supporting our clients)

2E. WHAT TEAMS ARE INVOLVED IN THE RESPONSIBLE INVESTMENT ACTIVITY OF THE MANAGEMENT COMPANY?

The teams involved in the responsible investment activity are mainly located in the Sustainability Centre (24 people). This comprises:

- The engagement and voting policy team
- ESG research
- The team dedicated to solidarity finance
- ESG specialists
- CSR

As the Sustainability Centre is independent of the management teams, each SRI fund is managed within a management team by specialised managers.

2F. HOW MANY SRI ANALYSTS AND SRI MANAGERS ARE EMPLOYED BY THE MANAGEMENT COMPANY?

The ESG research team, led by Alex Bernhardt, is made up of eight extra-financial analysts with specific sector and thematic coverage.

Thanks to its experience and expertise, the team has developed a proprietary extra-financial rating for issuers, which allows it to generate a list of issuers eligible for investment, but also an overall list of ESG scores for all transmitters. In order to strengthen the integration of ESG criteria throughout the company, extra-financial analysts also provide ESG research to BNPP AM's main global investment centres, so that they can integrate ESG elements as well as other asset classes and investment strategies

About thirty managers are involved on a daily basis around SRI funds, i.e. around 20 full-time equivalents.

2G. IN WHAT RESPONSIBLE INVESTMENT INITIATIVES IS THE MANAGEMENT COMPANY INVOLVED?

Acting within organisations

We work closely with leading organisations in the area of responsible investment to promote sustainable development and improve our common practices

- **IIGCC** - *International Investors Group on Climate Change*
- **UNEP FI** – *United Nations Environment Programme Finance Initiative.*
- **EFAMA** - *European Fund and Asset Management Association*
- **AFG** responsible - *Association Française de la Gestion Financière*
- **FIR** - *Forum pour l'Investissement Responsable.*
- **GRESB** - *Global Real Estate Sustainability Benchmark*
- **ICGN** – *International Corporate Governance Network*
- **European Commission / EFIG** (Energy Efficiency Financial Institution Group)
- **PRI Montreal Carbon Pledge**
- **Portfolio Decarbonization Coalition**
- **GBP** – *Green Bond Principles*
- **Climate Action 100+**

BNP Paribas Asset Management has also joined several multi-lateral initiatives such as Access To Medicine Index, Access To Nutrition Index, OECD Guidelines on Agriculture, EITI - Extractive Industries Transparency Initiative, ICCR Investor Statement on Bangladesh, etc.

2H. WHAT IS THE TOTAL SRI ASSETS UNDER MANAGEMENT OF THE MANAGEMENT COMPANY?

At the end of December 2021, our assets under management in SRI amounted to €132.5 billion.

2I. WHAT IS THE PERCENTAGE OF THE MANAGEMENT COMPANY'S SRI ASSETS RELATIVE TO TOTAL ASSETS UNDER MANAGEMENT?

At the end of December 2021, SRI assets represented 24,7% of BNP Paribas Asset Management's total assets under management.

2J. WHAT PUBLIC SRI FUNDS ARE MANAGED BY THE MANAGEMENT COMPANY?

The complete list of our SRI UCITS can be found under the [Fund research](#) heading of our country websites by selecting the “SRI” indicator in the Type tab.

Our SRI products correspond to demand from clients to reconcile financial performance with environmental and social added value. Our SRI expertise is based on more than 17 years of experience and now covers a full range of investment solutions (mandates, dedicated funds and open-ended UCITS) and asset classes adapted to investors' objectives (equities, credit, government and supranational bonds, diversified management, indexing, etc.).

BNPP AM's SRI offering (also known as Sustainable +) is organised into three types of approaches: “Enhanced ESG” funds, “Thematic” funds and “Impact” funds.

The “**Enhanced ESG**” approach includes, in particular, the “Best in Class” approach that targets companies and governments that demonstrate best social and environmental practices, while respecting good governance rules.

Other strategies with a “Enhanced ESG” approach will integrate ESG criteria into the portfolio construction process, through a number of criteria, such as

- At least 20% increase in the portfolio's ESG rating relative to its benchmark index
- Exclusion of 10% of stocks with the worst ESG rating (Decile 10)
- Normative and sector-based exclusion defined in BNP Paribas' sector policies (question 3.C)

The “**Thematic**” approach focuses on issuers with high environmental or social added value in identified areas. Investments are concentrated in sectors that provide solutions to our society's major environmental and social challenges. In order to be eligible for thematic funds as defined by BNP Paribas AM, companies must generate more than 20% or 50% of their revenues in the targeted activities.

“**Impact**” funds invest with the intention of contributing to the achievement of a social and/or environmental impact in addition to financial performance. It must be possible to measure this impact.

3. GENERAL DATA ON THE SRI FUND(S) PRESENTED IN THIS TRANSPARENCY CODE

3A. WHAT OBJECTIVE(S) IS/ARE SOUGHT BY TAKING ESG CRITERIA INTO ACCOUNT IN THE FUND(S)?

The BNP PARIBAS EASY € High Yield SRI Fossil Free replicates the performance of the Bloomberg-Barclays MSCI Euro High Yield SRI Sustainable Ex Fossil Fuel (NTR) Index.

The objective of this index funds is twofold:

- Support the most virtuous companies with regard to respect for the environment by excluding fossil fuels in order to reduce the carbon footprint of the portfolio.
- Support the most virtuous companies in terms of governance and good social practices (these companies must comply with social criteria such as the development of human capital and the consideration of safety and health standards and have good governance in terms of tax transparency and board diversity, for example)

The selection of securities is based on a selection of high yield corporate bonds denominated in euro issued by companies estimated to be the best performing in compliance with the Environmental, Social and Governance criteria. The selection excludes the issuers belonging to controversial sectors with different tolerance thresholds for Alcohol, Tobacco, Gambling, Military Weapons, Civilian Firearms, Nuclear Energy, Adult Entertainment, Genetically Modified Organisms and fossil fuel sector.

In addition, in order to minimise the carbon impact of the final selection, these indices exclude sectors identified by MSCI ESG Carbon Metrics as having a high concentration of companies involved in the extraction of fossil fuels or holding fossil reserves. The companies concerned belong to certain sub-sectors according to Bloomberg Barclays' classification (Independent Energy, Integrated Energy, Metals and Mining, Electric and Natural Gas).

In addition, to ensure this exclusion and extend its scope, the selection of securities is sent to the experts at the Sustainability Centre, in order to verify that the securities selected by the index do not have residual exposure to certain activities related to fossil fuels as defined below:

- Exclusion of companies listed by the "Carbon Underground 200 companies", as published by the FFI (Fossil Free Indexes).
- Exclusion of companies holding fossil reserves
- Exclusion of companies active in the research, extraction, processing, refining or transport of coal, oil and gas
- Exclusion of companies investing in energy suppliers that use fossil fuels to produce energy

3B. WHAT INTERNAL AND EXTERNAL RESOURCES ARE USED FOR THE ESG ASSESSMENT OF ISSUERS FORMING THE INVESTMENT UNIVERSE OF THE FUND(S)?

The choice of the underlying indices of the index funds and SRI ETFs of BNP Paribas Asset Management is based on a rigorous analysis of the characteristics of these indices.

The product development, sales and management teams identify the needs of clients and the indices available on the market in this area and their ESG methodologies and data used. It is then a matter of selecting an index:

- i. that is sufficiently representative of an SRI philosophy
- ii. whose methodology is based on the systematic, liquid and diversified quality research
- iii. that also respects BNP Paribas Asset Management's responsible investment philosophy.

The product development and management teams verify the consistency of these indices and the quality of ESG research and scoring at BNP Paribas Asset Management's Sustainability Centre department, which is independent of product management and development.

For the SRI indexing activity, BNP Paribas Asset Management selected the MSCI SRI Index range for this fixed income index fund. This theme excludes activities related to tobacco and controversial weapons that are part of BNP Paribas Asset Management's sector exclusion policy. In addition, the requirement in terms of ESG rating and controversies is consistent with the Group's responsible investment vision.

In this questionnaire, we detail the SRI methodology applied by MSCI and used to construct the benchmarks of the index fund for which this code applies.

MSCI

MSCI is an independent data provider with over 185 ESG analysts around the world with over 40 years of experience in collecting, cleaning, standardising and modelling ESG data from thousands of sources to create a precision tool for a clear signal of ESG performance.

MSCI's ESG assessment is based on around 7,000 companies¹ (13,000 companies, including subsidiaries) and more than 650,000 equities and bonds globally

MSCI has access to public data at the sector and geographical level from companies (annual General Meeting report, etc.), governments, NGOs, economic research, etc. and is in contact with more than 2,100 media outlets¹.

This SRI methodology developed by MSCI combines a "Value-based screens" approach with a "Best-in-Universe" approach.

➤ Value-based screens

In the context of Socially Responsible Investment (SRI), the "Values-based screens" approach consists of excluding companies operating in certain specific business sectors below:

- civilian firearms, military weapons (anti-personnel mines, cluster bombs, depleted uranium weapons and biological and chemical weapons)
- nuclear power
- tobacco, alcohol, gambling, adult entertainment and Genetically Modified Organisms (GMOs)

➤ The "Best in Universe" approach

In the context of Socially Responsible Investment (SRI), the "Best-in-Universe" approach is an ESG selection method that focuses on companies with the highest ratings from an extra-financial perspective regardless of their sector of activity.

3C. WHAT ESG CRITERIA ARE TAKEN INTO ACCOUNT BY THE FUND(S)?

The MSCI SRI index methodology consists of 2 main indicators: "MSCI ESG Rating score" and "MSCI ESG Controversy score".

1. "MSCI ESG Rating Score"

The "MSCI ESG Rating score" is based on 3 pillars (Environment, Social and Governance), broken down into 10 themes (climate change, natural resources, pollution and waste, etc.), in turn broken down into 37 "ESG Key Issues".

These 37 major issues are defined annually for each of the GICS sub-sectors², with their own risks and opportunities.

Below is the list of the 37 "ESG Key Issues":

¹ Source: MSCI ESG Ratings Methodology, Executive Summary, MSCI ESG Research, April 2018

² GICS (Global Industry Classification Standard): <https://www.msci.com/gics>

<p>► Environment</p> <p>Climate change</p> <ul style="list-style-type: none"> ○ Carbon emissions ○ Carbon footprint ○ Environmental impact financing ○ Climate change vulnerability <p>Natural resources</p> <ul style="list-style-type: none"> ○ Water stress ○ Biodiversity and land use ○ Supply of raw materials <p>Pollution and waste</p> <ul style="list-style-type: none"> ○ Toxic emissions and waste ○ Packaging and waste ○ Electronic waste <p>Environmental opportunities</p> <ul style="list-style-type: none"> ○ Opportunities in Clean Technologies ○ Opportunities in Green Construction ○ Opportunities in Renewable Energy 	<p>► Social</p> <p>Human capital</p> <ul style="list-style-type: none"> ○ Personnel management ○ Development of human capital ○ Health and safety ○ Supply chain and labour standards <p>Manufacturer's responsibility</p> <ul style="list-style-type: none"> ○ Safety and quality ○ Chemical safety ○ Financial security ○ Data confidentiality and security ○ Responsible investment ○ Demographic and health risk <p>Shareholder opposition</p> <ul style="list-style-type: none"> ○ Controversial exploration/sourcing <p>Social opportunities</p> <ul style="list-style-type: none"> ○ Access to communications ○ Access to financing ○ Access to healthcare ○ Nutrition and health opportunities 	<p>► Governance</p> <p>Corporate governance</p> <ul style="list-style-type: none"> ○ Diversity of Boards of Directors ○ Salaries ○ Ownership and control ○ Accounting <p>Corporate behaviour</p> <ul style="list-style-type: none"> ○ Ethics ○ Anti-competitive practices ○ Tax transparency ○ Corruption and instability ○ Instability of the financial system
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2. “MSCI ESG Controversy Score”

The MSCI methodology analyses:

- whether companies are affected by severe ESG controversies
- the level of compliance of companies with international standards

The MSCI methodology examines controversies that could cause structural problems in the management of a company. The “MSCI ESG Controversy score” is based on 5 pillars, broken down into 28 indicators.

Below is the list of the 28 indicators:

<p>► Environment</p> <ul style="list-style-type: none"> ○ Biodiversity and land use ○ Toxic emissions and waste ○ Energy and climate change ○ Water stress ○ Operational waste ○ Supply chain management ○ Other 	<p>► Clients</p> <ul style="list-style-type: none"> ○ Anti-competitive practices ○ Customer relations ○ Data security ○ Marketing and advertising ○ Product safety and quality ○ Other 	<p>► Human rights and community</p> <ul style="list-style-type: none"> ○ Impact on local communities ○ Concern for Human Rights ○ Civil liberties ○ Other 	<p>► Labour law and supply chain</p> <ul style="list-style-type: none"> ○ Relationship Management and employees ○ Health and safety ○ Collective labour agreements and trade unions ○ Discrimination and diversity ○ Child labour ○ Supply chain standards ○ Other 	<p>► Human rights and community</p> <ul style="list-style-type: none"> ○ Corruption and fraud ○ Governance structure ○ Controversial investments ○ Other
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3D. WHAT PRINCIPLES AND CRITERIA RELATED TO CLIMATE CHANGE ARE TAKEN INTO ACCOUNT BY THE FUND(S)?

In the context of Bloomberg-Barclays MSCI Euro High Yield SRI Sustainable Reduced Fossil Fuel (NTR) Index, a sector filter is added to the selection level in order to also exclude sectors identified by MSCI ESG Carbon Metrics as having a high concentration of companies involved in the extraction of fossil fuels or holding fossil reserves (Top-down method).

The industries concerned belong to certain sub-sectors according to the Bloomberg Barclays' classification (Independent Energy, Integrated Energy, Metals and Mining, Electric and Natural Gas).

Bloomberg Barclays Indices Global Sector Classification Scheme

Class 1	Class 2	Class 3	Class 4
Treasury			
Government-Related	Agencies	Government Guarantee	
		Government Owned	
		No Guarantee	
		Government Sponsored	
	Local Authority		
	Sovereign		
	Supranational		
Corporate	Industrial	Basic Industry	Chemicals, Metals & Mining , Paper
		Capital Goods	Aerospace & Defense, Building Materials, Construction Machinery, Diversified Manufacturing, Environmental, Packaging
		Communications	Cable & Satellite (called Media Cable prior to July 2014), Media & Entertainment (called Media-Non-Cable prior to July 2014), Wireless, Wirelines
		Consumer Cyclical	Automotive, Consumer Cyclical Services, Gaming, Home Construction, Leisure (called Entertainment prior to July 2014), Lodging, Restaurants, Retailers*
		Consumer Non-Cyclical	Consumer Products, Food & Beverage, Healthcare, Pharmaceuticals, Supermarkets, Tobacco
		Energy	Independent, Integrated Midstream (added in July 2014), Oil Field Services, Refining
		Technology	
		Transportation	Airlines, Railroads, Transportation Services
		Other Industrial	
	Utility	Electric	
		Natural Gas**	
		Other Utility	

Source: Bloomberg Barclays, March 2017

3E. WHAT IS THE ISSUER'S ESG ANALYSIS AND EVALUATION METHODOLOGY (CONSTRUCTION, EVALUATION SCALE, ETC.)?

1. MSCI ESG rating: "MSCI ESG Rating Score"

MSCI has a company assessment system to identify the risks and opportunities associated with Environmental, Social and Governance (ESG) criteria, with the aim of rating companies (from AAA to CCC) based on their sector-specific ESG risks and their ability to manage these risks and take advantage of opportunities relative to their peers.

Construction of the ESG rating according to the MSCI SRI methodology of the SRI indices selected

a. Selection and weighting of major issues for each pillar E, S and G by sector

For each of the GICS sub-sectors, specific key issues are selected and weighted, typically between 5% and 30 % of the final ESG score (with possible exceptions depending on the sub-sectors). They will thus determine the weight of each pillar in the final score.

b. Rating of companies from 0 to 10 for each key issue according to their "Exposure score", "Management score" and their governance

In order to understand whether a company properly manages the risk/opportunity associated with a key issue, it is essential to understand the risk/opportunity strategy and its exposure to this risk/opportunity.

For each key issue, the two components ("Exposure score" and "Management score") are analysed and must be appropriate: the higher the risk/opportunity exposure, the more robust the risk/opportunity management strategy must be.

"Risk/opportunity exposure score (Exposure score)" the MSCI ESG team defines the risks³ and the opportunities⁴ for each industry based on the business sector of companies and their location. The "Exposure score" is rated on a scale of 0 to 10: 0 indicating zero exposure and 10 indicating very high exposure.

"Risk/opportunity management score (Management score)": this analysis takes into account how a company has developed strategies and demonstrated a strong roadmap for risk levels or opportunities.

The controversies that occur over the past three years are derived from the "Management score" rating. Management is rated on a scale of 0 to 10: 0 indicating no management effort and 10 indicating strong management.

For all key issues of the corporate governance pillar: the corporate governance score is an assessment of a company's governance on a scale from 0 to 10. Each company starts with a score of 10, and its rating is adjusted according to the assessment made by "MSCI KeyMetrics" based on specific criteria (Board of Directors, salaries, control of the company, accounting, etc.).

MSCI calculates the "intermediate" ESG score as the weighted average of the scores of each key issue (the weight of each key issue is determined at the level of each sub-sector).

c. Standardisation of the ESG rating by industry according to the following table

The "intermediate" ESG score is then standardised by industry and will determine the ESG score used in the selection of securities, based on the table below:

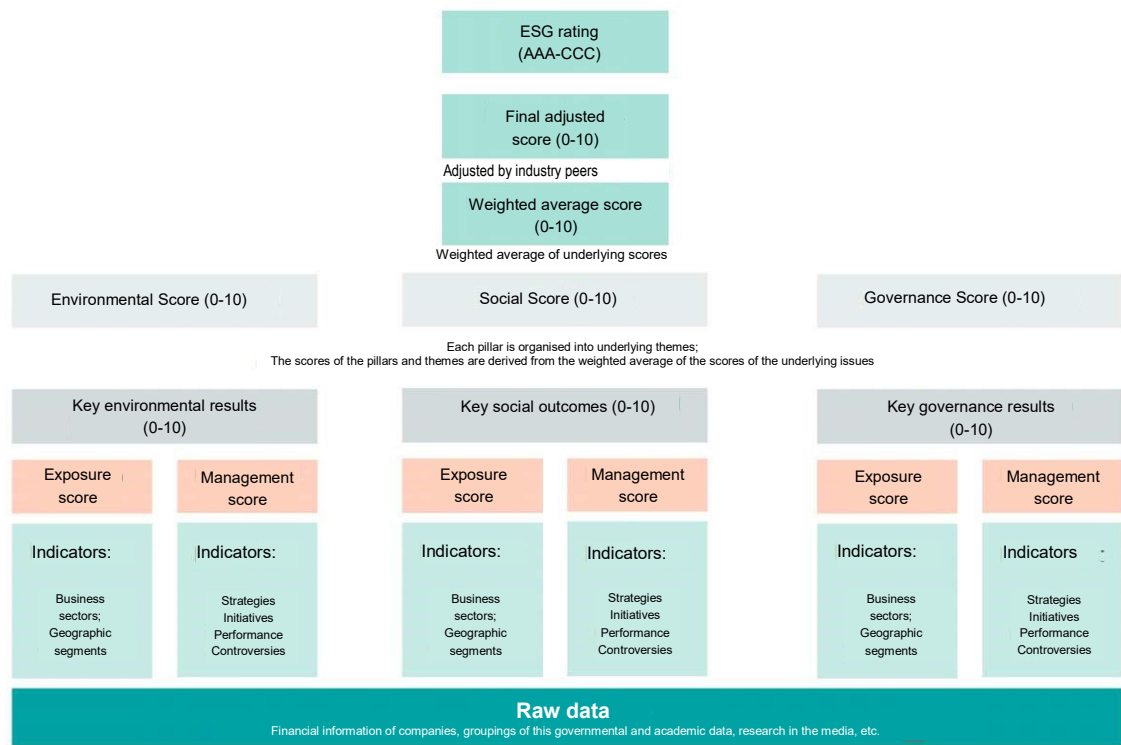
Score	Final rating of the company (adjusted by industry)
AAA	8.6 - 10
AA	7.1 - 8.6
A	5.7 - 7.1
BBB	4.3 - 5.7
BB	2.9 - 4.3
B	1.4 - 2.9
CCC	0-1.4

Source: MSCI ESG Ratings Methodology, Executive Summary, MSCI ESG Research, April 2018

³ A risk exists for an industry when it is likely that this risk will result in substantial costs (example: regulatory ban on a chemical component resulting in a reformulation).

⁴ An opportunity exists for an industry when it is likely that this opportunity will result in a profit (example: opportunities in clean technologies for the LED lighting industry).

Summary of ESG rating



Source: MSCI ESG Ratings Methodology, Executive Summary, MSCI ESG Research, April 2018

To be eligible for the index, bonds must have a minimum amount outstanding of EUR250mn. Starting June 2019, the index includes issuers with MSCI ESG Ratings of BB or higher, and excludes issuers that are involved in business activities that are restricted according to pre-defined Business Involvement Screens and issuers with a “Red” MSCI ESG Controversy Score..

2. Controversy rating: “MSCI ESG Controversy Score”

MSCI's SRI methodology examines controversies that could indicate structural problems in the management of a company. A controversy event is defined as a situation in which a company's activities and/or products have a negative impact on the environment, society and/or governance. A controversy event is usually a single event such as an accident, regulatory action, etc. or a series of events such as multiple allegations of anti-competitive behaviour related to the same product line, multiple community demonstrations in a single company, multiple legal proceedings alleging the same type of discrimination, etc.

Each controversy event is assessed based on the severity of its impact on the company, from very severe to minor. The index excludes issuers that are involved in business activities that are restricted according to pre-defined Business Involvement Screens and issuers with a “Red” MSCI ESG Controversy Score

Controversies scale – scale of 1-10

Rating	Nature of the controversy	Type	Current situation
0	Very severe	Non-structural	Concluded
		Non-structural	In progress
		Structural	Concluded
		Structural	In progress
1	Severe	Structural	In progress
2	Severe	Structural	Concluded
		Non-structural	In progress
3	Severe	Non-structural	Concluded
4	Moderate	Structural	In progress
5	Moderate	Structural	Concluded
		Non-structural	In progress
6	Moderate	Non-structural	Concluded
7	Minor	Structural	In progress
8	Minor	Structural	Concluded
		Non-structural	In progress
9	Minor	Non-structural	Concluded
10	None	NA	NA

Source: MSCI ESG Controversy Methodology, Executive Summary, MSCI ESG Research, April 2018

- Red: this indicates that the company has been or is involved in one or more very severe controversies ("Red Flag")
- Orange: this indicates that the company is involved in one or more severe controversies
- Yellow: this indicates that the company has been or is involved in one or more moderate or severe controversies
- Green: this indicates that the company is not involved in any controversies

3. Exclusion of certain sectors involved in the fossil fuels industry

In order to limit the carbon impact of these indices as much as possible, a sector exclusion (top-down method) is carried out in order to exclude sectors with a high concentration of companies involved in the extraction of fossil fuels or holding fossil reserves.

The industries concerned belong to the following sub-sectors according to Bloomberg Barclays' classification (Independent Energy, Integrated Energy, Metals and Mining, Electric and Natural Gas).

3F. HOW OFTEN IS THE ESG ASSESSMENT OF ISSUERS REVISED? HOW ARE CONTROVERSIES MANAGED?

Monitoring and updating

Companies are monitored systematically and continuously in light of their controversies and potential governance events. New information is reflected in weekly reports, and significant changes trigger a review and reassessment of the rating by analysts. Daily monitoring is carried out for any corporate action. MSCI uses public data and gives the companies analysed the right to respond.

Annual consultation

In the last quarter of each year, MSCI's ESG research team reviews the major issues assigned to each sub-sector as well as their weighting.

Monthly review

Bloomberg-Barclays MSCI Euro High Yield SRI Sustainable Ex Fossil Fuel Index is reviewed monthly and changes are implemented at the end of each month.

This concern:

- the change in the parent index
- eligibility reviews (MSCI ESG Rating Score and MSCI ESG Controversy Score)
- additions/exits of eligible securities

4. MANAGEMENT PROCESS

4A. HOW ARE THE RESULTS OF ESG RESEARCH TAKEN INTO ACCOUNT IN PORTFOLIO CONSTRUCTION?

The starting point for MSCI's SRI methodology is the parent index.

In our case, the parent index of the Bloomberg Barclays MSCI Euro High Yield SRI Sustainable Ex Fossil Fuel index is Bloomberg Barclays Pan-European High Yield Index, with 768 constituents⁵.

1. The **first filter is based on the exclusion of “Red Flag” securities according to MSCI's SRI rating**, which consists of excluding issues from companies with a controversy rating of 0.
2. Second, the **“Value-Based exclusions”** approach consists of excluding issues from companies belonging to identified controversies sectors, with tolerance thresholds defined below based on their revenues:

Adult entertainment	Companies classified as a “Producer” that earn more than 5% in revenue or more than \$500mn in revenue from adult entertainment materials
Alcohol	Any company classified as a “producer”, of which more than 5% of its revenue or more than USD 500m is derived from this activity
Gambling	Companies involved in “Operations” and “Support” that earn more than 5% in revenue or more than \$500mn in revenue from gambling-related activities
Tobacco	Companies with any tie to Tobacco are excluded
Military weapons	Companies with any ties to Military Weapons are excluded, such as: o Landmine Manufacturing – all companies classified as Manufacturer of Landmines are excluded o Cluster Bomb Manufacturing – all companies classified as Manufacturer of Cluster Bombs are excluded o Depleted Uranium Weapons o Chemical and Biological Weapons Components
Civilian firearms	Companies with any ties to Civilian Firearms are excluded
Nuclear energy	Companies with any tie to Nuclear Power are excluded
Genetically Modified Organisms (GMOs)	Companies with any ties to GMO are excluded
Fossil Fuel	Companies with any ties to Fossil Fuels

3. Then, the “Best-in-Universe” filter selects the issues of companies with the best ESG rating according to MSCI's SRI rating based on a minimum MSCI ESG Rating Score of BB.
4. Once the “Red Flag exclusion”, “Value-based exclusions” and “Best-in-Universe” steps are applied from the investment universe, the objective is to select securities based on quantitative criteria (liquidity and residual maturity).
5. Finally, securities belonging to Bloomberg Barclays’ sub-sectors will be excluded from the final selection: Independent Energy, Integrated Energy, Metals and Mining, Electric and Natural Gas.

4B. HOW ARE CLIMATE CHANGE CRITERIA TAKEN INTO ACCOUNT IN PORTFOLIO CONSTRUCTION?

As mentioned in question 3D, sectors identified by MSCI ESG Carbon Metrics as having a high concentration of companies involved in the extraction of fossil fuels or the holding of fossil reserves (top-down method) are excluded from the selection.

4C. HOW ARE ISSUERS IN THE FUND'S PORTFOLIO TAKEN INTO ACCOUNT WHEN THEY ARE NOT SUBJECT TO ESG ANALYSIS (EXCLUDING UCIS)?

⁵ Source: BBG as at April 2022

All issues in the fund's portfolio undergo an ESG analysis by MSCI.

4D. HAS THE ESG EVALUATION PROCESS AND/OR MANAGEMENT PROCESS CHANGED IN THE PAST TWELVE MONTHS?

The fund was launched on 18/02/2021, no changes were acted since.

4E. IS A PORTION OF THE FUND'S ASSETS INVESTED IN SOLIDARITY-BASED ORGANISATIONS?

The fund concerned by this document do not invest in solidarity-based organisations in accordance with the prospectus.

4F. DOES/DO THE FUND(S) ENGAGE IN SECURITIES LENDING/BORROWING?

The fund concerned by this document do not carry out securities lending/borrowing transactions in accordance with the prospectus.

4G. DOES/DO THE FUND(S) USE DERIVATIVES? IF YES, PLEASE DESCRIBE:

The BNP PARIBAS EASY € High Yield SRI Fossil Free fund do not use derivatives in accordance with the prospectus.

4H. DOES/DO THE FUND(S) INVEST IN UCIS?

The BNP PARIBAS EASY € High Yield SRI Fossil Free fund may invest up to 10% of its AuM in UCIs, in accordance with the prospectus.

5. ESG CONTROLS

5A. WHAT INTERNAL AND/OR EXTERNAL CONTROL PROCEDURES ARE PUT IN PLACE TO ENSURE THE PORTFOLIO'S COMPLIANCE WITH THE ESG RULES ESTABLISHED FOR MANAGEMENT OF THE FUND(S)?

Compliance with investment criteria is periodically verified by the management company's internal control, which relies on the list of eligible securities. Index funds may not invest in securities other than those present in the index and may not engage in securities lending transactions in accordance with the prospectus. Both pre- and post-trade controls are performed. In the event of non-compliance, the management team receives an alert in order to correct any anomaly. If there is no response, an escalation procedure is initiated.

In addition, ex-ante and ex-post Tracking Errors of the portfolio are calculated on a weekly basis to ensure that index funds are in line with their benchmark.

Moreover, to ensure portfolio compliance with set rules, MSCI performs periodic rebalancing (monthly). At each index rebalancing, the eligible universe is updated and the composition of the index is reassessed according to the criteria set upstream. The securities composing the index remain in the eligible universe if they meet all the pre-established ESG rules (described in 4A).

6. ESG IMPACT MEASURES & REPORTING

6A. HOW IS THE ESG QUALITY OF THE FUND(S) ASSESSED?

The ESG quality of the fund is assessed against the impact indicators (see question 6B) by comparing the fund to its benchmark, in this case, the Bloomberg Barclays Pan-European High Yield (Euro).

6B. WHAT ESG IMPACT INDICATORS ARE USED BY THE FUND(S)?

The extra-financial report provides concrete information on the implementation of the fund's SRI investment policy and compares the portfolio to its benchmark using several indicators:

- The average decile of the portfolio shows that the portfolio is invested in securities with better environmental, social and governance practices than its benchmark index.
- For the environmental aspect, carbon intensity is used to compare the level of CO2 emissions between the portfolio and that of the benchmark index.
- For the social aspect, the portfolio's exposure to social controversies is compared to that of the benchmark index.
- For the governance component, we compare the average of the governance ratings according to the methodology developed by BNPP AM's ESG research team to that of its benchmark index.

6C. WHAT MEDIA CAN BE USED TO INFORM INVESTORS ABOUT THE SRI MANAGEMENT OF THE FUND(S)?

Promoting SRI to our clients mainly involves:

- The production and updating of marketing documents: product sheet, extra-financial report, brochures as well as the provision of educational and explanatory videos of our funds
- Training programmes dedicated to SRI, whether via our websites or during direct actions with financial advisors (BNP Paribas and external advisors) and clients/prospects
- The promotion of our SRI offering via the dedicated page of our [website](#)
- Presence in the specialised press
- Participation in market bodies and leading organisations (AFG , FIR , etc.)

This information is available on our website: <https://www.bnpparibas-am.fr/>

6D. DOES THE MANAGEMENT COMPANY PUBLISH THE RESULTS OF ITS VOTING POLICY AND ITS ENGAGEMENT POLICY?

BNPP AM publishes the results of its voting policy and engagement policy on its website: In 2019, BNPP AM voted at **1,758 general meetings**.

NOTE: Investments in the funds are subject to market fluctuations and the risks inherent in investing in securities. The value of investments and the income they generate may rise and fall, and investors may not fully recover their investment. The funds described present a risk of capital loss. For a more detailed definition and description of the risks, please refer to the fund's prospectus and KIID. Before subscribing, we advise you to read the most recent version of the prospectus and the KIID available free of charge on our website: <https://www.bnpparibas-am.fr/>

Past performance is not an indicator of future returns.

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