



# INFORMATION ABOUT BGL BNP PARIBAS POLICY AS FINANCIAL MARKET PARTICIPANT ON CONSIDERING THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS IN PORTFOLIO MANAGEMENT ACTIVITIES

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Pursuant to Regulation (EU) 2019/2088 (SFDR) article 4, which applies from 10 March 2021, BGL BNP Paribas makes available to you information in relation to its policies on adverse sustainability impacts.

Principal adverse impacts on sustainability factors refer to adverse impacts of investment decisions on sustainability factors that mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

*As financial market participant, BGL BNP Paribas takes into account the impact of the underlying investment on sustainability factors (environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters).*

*BGL BNP Paribas considers principal adverse impacts in its portfolio management decisions through the approach detailed hereafter.*

BGL BNP Paribas' approach on principal adverse impacts relies on a set of extra-financial data sources and analyses:

## a. The BNP Paribas Group policy:

The BNP Paribas sector policy: BNP Paribas S.A. coordinates investment actions in sensitive sectors, excluding a number of sectors or companies, see BNP Paribas public [sector policies](#) developed in cooperation with independent experts. On each sector, BNP Paribas takes into consideration a set of mandatory requirements, of evaluation criteria and of good industry practices when they exist.

## b. The BNP Paribas Asset Management issuers' ESG<sup>1</sup> screening:

Regarding bonds and equities, BNP Paribas S.A. relies on the BNP Paribas Asset Management information, sources and policies specifically designed towards sustainability. Regarding the selection process of issuers, the pillars of the [Global Sustainability Strategy](#) developed by BNP Paribas Asset Management enable to deploy a classification of issuers based on various sustainability factors:

- The ESG assessment, based on materiality, measurability, data quality and availability, focuses on a limited set of robust ESG metrics, among these sources:

- **External providers:** organizations specializing in ESG data and research, as well as ESG and mainstream brokers.
- **Internal qualitative research:** insights from BNP Paribas Asset Management's ESG analysts assessing ESG performance and reviewing provider data, based on direct contacts with issuers, academics, institutions, civil society research, issuer official publications,
- **International institutions:** Eurostat, OECD, United Nations, Worldbank, International Energy Agency, World Health Organization.
- The Stewardship Strategy includes proactive engagement with corporate and other issuers, and engagement with public policy makers on sustainability issues.
- The [Responsible Business Conduct policy](#) aims at avoiding reputational, regulatory risks; it fosters companies' compliance with fundamental rights, in the areas of human and labour rights, environment protection and anti-corruption, based on the 10 [United Nations Global Compact Principles](#).
- The Forward-looking perspective or the '3Es' measure the exposure to the three key issues being Energy transition, Environment and Equality.

Based on the set of BNP Paribas Group and BNP Paribas Asset Management data, BGL BNP Paribas is in a position to:

- Exclude or select issuers (equities and bonds),
- Rate equities and bonds according to the internal proprietary clover methodology.
- Identify equities and bonds when possible, according to 'sustainability preferences' as defined by the MiFID delegated regulation<sup>2</sup>,
- Consider and address PAIs number 10 and 11 by relying on a number of international standards that BNP Paribas adheres to, in particular: The UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises OECD which may lead to the exclusion of companies active in certain sectors. PAIs number 10 and 11 are considered and addressed by BNP

<sup>1</sup> Environmental, Social and Governance

<sup>2</sup> Article 2(7) MiFID Delegated Regulation 2017/565



Paribas Asset Management Responsible Business Conduct which evaluates and excludes companies exposed to issuers who are in breach with UNGC Principles and/or OECD Multinational Enterprises guidelines.

- Consider and address PAI number 14, in particular: exposure to controversial weapons. The following controversial weapons conventions are taken into account to consider and address PAI number 14: Oslo Convention on Cluster Munitions (2008) and Ottawa Treaty on Landmines (1999), Biological and Toxin Weapons Convention (1972), Chemical Weapons Convention (1993). All investee companies involved in the manufacturing, or the selling of controversial weapons are excluded.

More information on the Clover methodology is available on our [website](#).

**c. Analysis of asset management companies and recommended funds and ETF<sup>3</sup>s:**

BNP Paribas Wealth Management gathers sustainability information from asset managers, based on a proprietary due diligence questionnaire:

- Funds: comprehensive questions covering 6 areas, either on the management company and/ or the fund regarding ESG practices and exclusions, voting and engagement policies, transparency, sustainability of the asset management company, sustainable thematic, impact,
- ETFs: questions covering the 6 above mentioned areas,
- Open-ended Alternative Investment Funds: comprehensive questions covering 7 areas.

BNP Paribas Wealth Management looks at the percentage of available universe excluded based on ESG considerations, i.e., sector-based exclusions, norm-based exclusions, activity-based exclusions and worst ESG ratings among peers. Due diligences also identify the way ESG controversies are taken into account during the fund investment process.

BNP Paribas Wealth Management relies on the set of data provided by the asset manufacturers on the financial product ESG characteristics according to the European ESG template (EET format defined by Findatex), i.e.:

- Data on taxonomy aligned investment within the financial instrument (percentage of alignment, based on the E.U. Taxonomy Regulation),
- Data on sustainable investment within the financial instrument (percentage of sustainable investment, based on the SFDR regulation), and
- Data on mandatory Principle Adverse Indicators.

Thanks to this double level of analysis when selecting funds and ETFs, BGL BNP Paribas is in a position to:

- Select asset managers, funds and ETFs;
- Classify, when possible, funds and ETFs according to MIFID definition of 'sustainability preferences' 4 defining a classification system.
- Consider and address PAI number 10 by relying on

several international standards that BNP Paribas adheres to, in particular: UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. For this purpose, BNP Paribas Wealth Management reviews European ESG Templates (EET) and the sales prospectus provided by Asset Management companies to ensure PAI number 10 is considered. In case of non-consideration BNP Paribas Wealth Management takes steps to mitigate risk and/or minimize exposure on PAI number 10 violation.

- Consider and address PAI number 14, in particular: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons). For this purpose, BNP Paribas Wealth Management reviews European ESG Templates (EET) and the sales prospectus provided by Asset Management companies to ensure PAI number 14 is considered. In case of a non-consideration or an exposure the financial product will be excluded.

For the avoidance of doubt, BGL BNP Paribas does not at this stage consider on derivative instruments and Article 6 SFDR financial products<sup>5</sup> the principal adverse impacts on sustainability factors.

On an annual basis, the statement of BGL BNP Paribas on the Principal Adverse Impacts of investment decisions on sustainability factors will be published on its website.

<sup>3</sup> Exchange-Traded Fund

<sup>4</sup> Article 2(7) MIFID Delegated Regulation 2017/565

<sup>5</sup> ETFs and external funds