As a leading global asset manager, BNP Paribas Asset Management is committed to becoming a Responsible Investor in all aspects of its business.

Because we believe in responsible practices for ourselves but also for entities in which we invest, and consistent with our fiduciary responsibilities to act in the best long-term interests of our clients, we are committed to incorporating Environmental, Social and Governance (ESG) standards into our investment criteria and ownership practices.

This Policy is consistent with BNP Paribas Asset Management adherence to the UN Principles for Responsible Investment (PRI) in 2006 and BNP Paribas Group’s commitment to corporate responsibility and sustainable development.

1. INVESTMENT CRITERIA: IMPLEMENTATION OF ESG REQUIREMENTS FOR ALL OUR INVESTMENTS

We are aware that ESG issues impact the value and reputation of entities in which we invest. We are therefore committed to incorporate both ESG standards and ESG analysis into our investment criteria to the extent that the integration of such factors is consistent with our fiduciary duty to help our clients achieve their investment objectives and protect their interests.

For corporate issuers, these ESG standards are based on the ten principles of the UN Global Compact (www.unpri.org), which is a shared framework, recognized worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption. The UN Global Compact Principles are supplemented by additional investment criteria for controversial sectors (that is to say with ESG strong impacts and controversies) and products. These criteria are based on relevant international conventions and regulations, BNP Paribas Group CSR Policies, and voluntary industry standards. In each sector, we highlight mandatory sector ESG requirements which have to be met for BNP Paribas Asset Management to invest, and evaluation criteria which provide a framework for further contextual analysis and dialogue with companies.

We are also committed to integrate ESG elements of analysis in our investment decision process in all our investment centres. ESG should be considered as an enhanced risk management that can help improve the knowledge of a company in terms of reputational, operational and financial risks. To do so, we have generalized the access to ESG scores on corporate issuers and ESG sector reviews to all investment centres in order to highlight both the risks and investment opportunities to be found in the ESG dimensions.
2. OWNERSHIP PRACTICES

Both voting at assembly general meetings and engagement are integral parts of our investment responsibilities and key components of the ongoing dialogue with companies in which we invest on behalf of our clients.

Through exercise of our voting rights, we aim to enhance the long-term value of our shareholdings and to foster corporate governance best practices, social responsibility and environmental stewardship. The practices which BNP Paribas Asset Management supports include:

- competence, independence and availability of board members,
- transparency of compensation structures and alignment with long-term company interests
- respect of shareholders’ rights, including the « one share - one vote - one dividend » principle and absence of anti-takeover measures,
- timely and accurate disclosure on operating and financial results including material environmental, social and governance issues.

These standards are further supported by a set of voting guidelines. For each voting issue, these guidelines highlight criteria that reflect or tend toward best practice and that we actively support, as well as resolutions that go against shareholder interests and corporate responsibility, and that we are likely to oppose or abstain.

We also consider engagement with companies as part of our duty as a responsible investor. We aim at managing a constructive dialogue with companies in order to better understand their ESG performance, to understand their action plans to remediate
existing ESG controversies and also to collect ESG information for more accurate analysis of their performance. In order to change the practices of the companies, we run engagement actions directly or through collective engagement initiatives in order to promote more transparency and disclosure by corporate issuers on their ESG practices, and to favor the adoption of best ESG practices by companies.

3. IMPLEMENTATION PRINCIPLES

We are committed to ensure consistent\(^1\) implementation of our Responsible Investment Policy to all open-ended funds managed or delegated by BNP Paribas Asset Management entities, and, subject to client information or approval where required, segregated accounts and investment mandates.

Management entities over which BNP Paribas Asset Management or the BNP Paribas Group do not have operational control are invited to adopt and implement this Policy on a best effort basis. External investment managers are actively monitored and encouraged to adopt similar ESG standards.

In applying our Responsible Investment Policy, we take into account specific circumstances as they relate to the environmental, social and governance practices of individual issuers. BNP Paribas Asset Management bases its judgment on data gathered from issuers and third-party research providers, and does its best to gather relevant information. However, it is dependent on the quality, accuracy and up-to-datedness of information collected.

We strive to implement this Policy in the best interest of our clients and operate at arms' length from the BNP Paribas Group and its subsidiaries or affiliate companies.

Our Responsible Investment Policy is publicly available on BNP Paribas Asset Management' website and is reviewed regularly in order to reflect the evolution of ESG standards and market practices.

\(^1\) Subject to technical and legal constraints.
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APPENDIX 1

THE PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) (WWW.UNPRI.ORG)

BNP Paribas Asset Management was one of the founding signatories of the PRI in 2006.

The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in integrating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policy makers but is not associated with any government; it is supported by, but not part of, the United Nations.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

The Principles were developed by investors, for investors. They have nearly 1,500 signatories, from over 50 countries, representing more than US$65 trillion.

- **Principle 1**: We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2**: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3**: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4**: We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5**: We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6**: We will each report on our activities and progress towards implementing the Principles.
APPENDIX 2

HOW TO INTEGRATE ESG REQUIREMENTS IN INVESTMENTS

The following principles govern our implementation of ESG Standards in investment processes:

1. Investment universes are periodically screened with a view to identify issuers that are potentially in breach of UN Global Compact Principles and/or mandatory requirements applicable to controversial sectors and products.

2. This assessment is conducted by our Sustainability Research Team on the basis of internal analysis and information provided by external experts, and in consultation with BNP Paribas Group CSR Team.

3. As a result from this process, BNP Paribas Asset Management establishes and maintains two lists:
   - an exclusion list of issuers that are associated with serious and repeated breaches of UN Global Compact Principles and/or mandatory requirements related to controversial sectors and products.
   - a watchlist of issuers that are at risk of breaching ESG standards and with whom we engage in a dialogue in order to encourage improvements.

4. The exclusion list and watchlist are communicated by CIOs to investment teams on a regular basis. As a result, investment teams should not initiate new investments in excluded companies with immediate effect. Existing investments should be divested from relevant portfolios based on market conditions but not later than one month after communication by CIOs.

5. The exclusion list applies to all open-ended funds managed by BNP Paribas Asset Management entities, with exceptions for portfolios which replicate the composition of indices (eg ETFs and indexed funds). In case of perfect replication or optimized replication the exclusion list is not applied contrary to synthetic replication where exclusions rule. Exceptions may also be granted in cases where exclusions from actively managed portfolios would result in significant market risk versus the benchmark.

6. The exclusion list applies to all types of securities (equities, bonds, convertible bonds) issued by aforementioned companies, as well as bonds issued by related financial vehicles. It also applies to participation notes and derivatives issued by third-parties on such securities. These restrictions apply to securities negotiated on primary and secondary markets, as well as OTC instruments.

7. Pre-trade and post-trade compliance checks are conducted by Investment Compliance teams to ensure that exclusions lists are implemented by all relevant portfolios.

8. Subject to legal and technical constraints, ESG standards also apply to:
   - segregated accounts and mandates (subject to client information or approval where required);
   - funds delegated to external asset managers (subject to amendment of relevant Investment Management Agreements or Investment Guidelines);
   - evaluation of external asset managers to be included in funds of funds and buy lists
APPENDIX 3

THE GLOBAL COMPACT PRINCIPLES (WWW.UNGLOBALCOMPACT.ORG)

The Global Compact commits corporate leaders to "embrace, promote and ensure compliance with" a set of fundamental values in the area of human rights, labor, the environment and the fight against corruption.

These ten principles are inspired by the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

HUMAN RIGHTS

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

LABOUR STANDARDS

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.
APPENDIX 4

SECTOR-SPECIFIC ESG STANDARDS

In addition to the UN Global Compact principles, BNP Paribas Asset Management implements a series of ESG standards related to investments in controversial sectors and products. These standards are consistent with sector policies adopted by the BNP Paribas Group and cover the following areas:

- **Palm oil and Wood Pulp.** The aim is to encourage the production of sustainable palm oil and wood pulp by investing only in companies that meet minimum environmental and social standards. Consequently, companies that do NOT adhere to such minimum standards (e.g., by converting protected areas into palm oil and wood plantations, or using child/forced labour) should not be invested in.

- **Nuclear.** The objective is to ensure that we invest in companies that operate in countries with a proper legal framework, use appropriate technologies and adopt adequate health & safety monitoring and accident prevention measures.

- **Coal-fired Power Generation.** The aim is to ensure that we invest in utility companies that decrease their CO2 intensity by operating more efficient coal-fired power stations and diversifying to cleaner sources of electricity generation.

- **Controversial weapons.** The objective is to ensure that we do not invest in companies involved in the production, trading and storage of controversial weapons. These include cluster ammunition and antipersonnel 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.

- **Asbestos.** The objective is to ensure that we do not invest in companies involved in the extraction or production of asbestos fibres banned today in more than 50 countries.

- **Mining.** The objective is to ensure that we do not invest in companies that use Mountain Top Removal (MTR) techniques or with low ESG standards and practices.

- **Oil sands.** The objective is to ensure that we invest only in the companies willing to develop oil sands reserve in a balanced and responsible manner and address NGOs’ concerns.

- **Agriculture.** The aim is to ensure that we invest in companies developing sustainable practices and that are committed to feed the people with healthy and safe products without threatening the food supply of future generations.

For each area, the sections below contain background information and key definitions on activities and companies concerned. Investment criteria addressing the main ESG issues and are split into two categories:

- **Mandatory requirements** are to be understood as sine qua non: those have to be met without exception for BNP Paribas Asset Management to invest in a company.

- **Evaluation criteria** provide a framework for further contextual analysis and dialogue with companies, based on which BNP Paribas Asset Management may decide not to invest even if mandatory requirements are met.
PALM OIL

a. Background

Development of oil palm plantations can have several adverse impacts on local communities, climate change and ecosystems. However, the environmental and social issues in the palm oil sector mainly depend on the way palm oil is produced and milled. Responsible palm oil can indeed limit these impacts. By contrast, palm oil production is a major source of income and provides a livelihood to millions of people in developing countries. It also serves as an important source of nutrition for families in many countries worldwide3.

Responsible players and sustainability practices exist in the palm oil sector, and as a global financial institution BNP Paribas Asset Management is convinced that they should be supported. Such an approach can bring long-term benefits to its customers and to the society at large. Several initiatives have been launched in order to address environmental and social issues and ensure a gradual shift towards good practices on the palm oil sector, one of the most prominent being the Roundtable on Sustainable Palm Oil (RSPO).

By following the RSPO Principles and Criteria as part of the certification process, palm oil companies commit to transparency, compliance with applicable laws and regulations, use of appropriate best practices, environmental responsibility, conservation of natural resources and biodiversity, responsible consideration of employees, of individuals and communities affected by growers and mills, as well as responsible development of new mills. RSPO members usually have a time-bound plan for full certification of all their operations.

BNP Paribas Asset Management believes that the RSPO has made, and is still making, a major contribution to the adoption of sustainability practices within the palm oil sector, through its wide-reaching, consensus-based, and multi-stakeholder approach. BNP Paribas is also a RSPO member.

An increasing number of companies have taken further steps by taking “No Deforestation, No Peat, No Exploitation” (NDPE) commitments, applicable to their entire supply chains. BNP Paribas is fully supportive of these commitments and encourages the dissemination of these best practices to other actors in the palm oil sector.

As a participant to the Soft Commodities Compact, BNP Paribas is committed to participate to the alignment of the banking industry practices with the objective of achieving zero net deforestation by 2020 in the palm oil sector.

BNP Paribas Asset Management will consider new developments in this sector and might amend this policy to take them into account. Therefore, BNP Paribas Asset Management will continue, under certain conditions set out in this document, to invest in the palm oil sector as it believes that it can be produced in a sustainable way.

b. Companies Concerned.

This policy applies to companies directly involved in the upstream and downstream palm oil value chain and for which it represents a significant part of their activities:

- “Upstream” refers to crude palm oil production (plantations and/or mills).
- “Downstream” refers to crude palm oil refining and/or trading.

Other companies further down the value chain (producers or traders of palm oil derivatives, or manufacturers and retailers of ingredients and products containing palm oil) are not in the scope of this policy. This policy also applies to the development of new palm oil projects (plantations and/or mills).

c. Mandatory Requirements

BNP Paribas Asset Management requires that Upstream Palm Oil Companies (plantations and mills):

- Be RSPO members (or have a time-bound plan to become RSPO members);
- Have published an up-to-date communication on progress;
- Have a time-bound plan for full RSPO certification of their operations.

In addition, BNP Paribas Asset Management requires that Upstream Palm Oil Companies:

- Have a policy in place prohibiting the use of child or forced labour;
- Have a human resources policy in place covering key labour issues of the sector – incl. no human trafficking, payment of minimum wage, maximum working hours, and the right to freedom of association and collective bargaining – covering all workers including contract, temporary, casual and migrant workers (as applicable);
- Have a policy in place to protect workers’ health and safety conditions, and disclose their safety track record (work accidents, fatalities...);
- Have a policy in place to obtain the free, prior and informed consent (FPIC) of indigenous and local communities, prior to developing new oil palm plantations;
- Have a formal grievance mechanism in place to identify and address concerns from their internal and external stakeholders;
- Have a policy in place to conduct High Conservation Value (HCV) assessments before developing new oil palm plantations, and to protect the HCV areas identified within their concessions;
- Have a policy in place to conduct High Carbon Stock (HCS) assessments before developing new oil palm plantations, and to protect the HCS forests identified within their concessions.
- Do not develop new oil palm plantations on:
  - UNESCO World Heritage Sites;
  - Wetlands on the Ramsar list;
  - Alliance for Zero Extinction sites;
  - IUCN Category I-IV areas.
- Have the following policies in place, in order to minimize GHG emissions:
  - No-burning for the development of oil palm plantations;
  - No development of new oil palm plantations on peatlands, regardless of depth;
  - Implement best management practices for existing oil palm plantations located on peatlands;
  - Minimize the use of artificial fertilizers;
  - Reduce GHG emissions from palm oil mills.
- Do not use, except in very specific and exceptional situations, pesticides that are categorized as WHO Class Ia or Ib, or that are listed by the Stockholm or Rotterdam Conventions;
- Have a policy in place to minimize the use of pesticides, and have a time-bound plan to terminate the use of parathion;

BNP Paribas Asset Management requires that Upstream Palm Oil Companies have a time-bound plan to ensure that all their third-party suppliers of fresh fruit bunches are compliant with their sustainability commitments and policies.

BNP Paribas Asset Management also requires that Upstream Palm Oil Companies have a time-bound plan for public reporting on the implementation of their sustainability commitments, and for the independent verification of such reporting. It should be noted that several of the above requirements are consistent with the “No Deforestation, No Peat, No Exploitation” (NDPE) commitments taken by an increasing number of palm oil companies.

BNP Paribas Asset Management requires that Downstream Palm Oil Companies (i.e. refiners and traders):
- Be RSPO members (or have a time-bound plan to become RSPO members);
- Have published an up-to-date communication on progress;
- Have a time-bound plan to achieve full RSPO certification of their operations.

### Evaluation Criteria

BNP Paribas Asset Management will assess whether Upstream Palm Oil Companies (plantations and mills):
- Have a time-bound plan for full RSPO certification of their fresh fruit bunches supply base (or similar verification mechanism for smallholders);
- Have a policy to increase yields of oil palm plantations;
- Are working with smallholders on good agricultural practices, yield improvement and RSPO certification (or similar verification mechanism), through the provision of technical assistance and training;
- Have adopted the necessary tools and practices to monitor implementation of their no deforestation commitments, notably throughout their supply chain;
- Have submitted to the RSPO concession maps for all the countries in which they operate, where permitted by law;

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2 As of the publication date of this Policy, the HCS Approach resulting from the convergence process that ended in November 2016 is considered as the best available methodology: http://highcarbonstock.org/agreement-on-unified-approach-to-implementing-no-deforestation-commitments/

3 Such as through (i) the implementation of methane (CH4) capture from palm oil mill effluent (POME) and (ii) the reduction of fossil fuel use through implementation of more efficient processes and/or substitution with other energy sources (e.g. residues such as fibre and shell, methane captured from POME).

4 According to the RSPO, smallholders are “farmers who grow oil palm, alongside with subsistence crops, where the family provides the majority of labour and the farm provides the principal source of income, and the planted oil palm area is is less than 50 hectares”

5 E.g. through aerial surveys (satellite imagery, use of drones) or field surveys.
Have a policy in place covering fire prevention, monitoring and suppression on the land they manage and in the vicinity of their estates;

Have been regularly and repeatedly criticized for their environmental, social or governance performance on material issues, including through complaints submitted to the RSPO Complaints System, and whether they have taken actions to address such issues.

BNP Paribas Asset Management will assess whether Downstream Palm Oil Companies (i.e. refiners and traders):

- Have a time-bound plan to trade and/or process only RSPO-certified palm oil;
- Are working to improve the traceability of their palm oil supply;
- Have a time-bound plan to ensure that their palm oil suppliers are compliant with the following standards:
  - No development in HCS forests
  - No development in HCV areas,
  - No burning for the development of new plantations
  - No development on peat, regardless of depth
  - No use of child/forced labour
  - Respect land tenure rights, incl. the free, prior and informed consent of indigenous and local communities
  - Have a human resources policy covering all workers (no human trafficking, payment of minimum wage, maximum working hours, and the right to freedom of association and collective bargaining)
- Have been regularly and repeatedly criticized for their environmental, social or governance performance on material issues, including through complaints submitted to the RSPO Complaints System, and whether they have taken actions to address such issues.

e. Sector Glossary

The following definitions apply in this policy:

**ASEAN Policy on Zero Burning:** In response to the land and forest fires that affected the ASEAN region in 1997/98, the ASEAN Environment Ministers agreed to adopt the policy on zero burning at the 6th ASEAN Ministerial Meeting on Haze in April 1999, and to promote its application by plantations in the region. Guidelines for the implementation of this policy have been developed to provide advice to plantation owners, managers, supervisory staff and contractors on the application of the zero burning technique for oil palm plantations development ([http://haze.asean.org/?wpfb_dl=163](http://haze.asean.org/?wpfb_dl=163)).

**Free, Prior and Informed Consent (FPIC)** is the principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use.

According to the RSPO Principles & Criteria 7.5: “No new plantings are established on local peoples’ land where it can be demonstrated that there are legal, customary or user rights, without their free, prior and informed consent. This is dealt with through a documented system that enables these and other stakeholders to express their views through their own representative institutions”.

**Greenhouse gas (GHG) emissions:** In the palm oil sector, GHG emissions are mainly the result of:

- Land use change (deforestation, peatlands drainage, vegetation burning), and the use of fossil fuels in palm oil mills, leading to emissions of carbon dioxide (CO2)
- Production, transport and application of artificial fertilizers, leading to emissions of CO2 and nitrous oxide (N2O)
- Anaerobic decomposition of organic material in palm oil mill effluents, leading to emissions of methane (CH4)

**High Carbon Stock (HCS) Forests**: Initial work on the HCS methodology has started in 2011 through multi-stakeholder field-based research in Indonesia and Africa, with the objective to identify land that is forest and should be conserved, and land that is degraded and can be developed. HCS forests are those identified as High, Medium, Low Density and Young Regenerating Forests under the following vegetation strata characteristics:

- High Density Forest: Remnant forest of advanced secondary forest close to primary condition
- Medium Density Forest: Remnant forest but more disturbed than High Density Forest
- Low Density Forest: Appears to be remnant forest but is highly disturbed and recovering
- Young Regenerating Forest: Mostly young regrowth forest but with occasional patches of older forest.

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The areas necessary to maintain or enhance one or more High Conservation Values (HCV)
c, and
A palm oil mill processes fresh fruit bunches coming from oil palm plantations and
ce. (e.g. a large tract of Mesoamerican flooded grasslands and gallery forests with healthy
re for Certain Hazardous Chemicals
hat contains at least 65% organic material, is at least 50 cm in depth, covers an area of at least 1 ha, and is
nge of information and calls on
ry stops, nesting sites, nurseries or breeding areas);
ough engagement with these communities or indigenous peoples
As, IUCN's Important Sites for Freshwater Biodiversity, and

High Conservation Value (HCV) areas: The areas necessary to maintain or enhance one or more High Conservation Values defined as follows:

- Concentrations of biological diversity including endemic species, and rare, threatened or endangered species, that are significant at global, regional or national levels. (e.g. the presence of several globally threatened bird species);
- Large landscape-level ecosystems and ecosystem mosaics that are significant at global, regional or national levels, and that contain viable populations of the great majority of the naturally occurring species in natural patterns of distribution and abundance. (e.g. a large tract of Mesoamerican flooded grasslands and gallery forests with healthy populations of Hyacinth Macaw, Jaguar, Maned Wolf, and Giant Otter, as well as most smaller species);
- Rare, threatened, or endangered ecosystems, habitats or refugia (e.g. patches of a regionally rare type of freshwater swamp); Basic ecosystem services in critical situations, including protection of water catchments and control of erosion of vulnerable soils and slopes (e.g. forest on steep slopes with avalanche risk above a town);
- Sites and resources fundamental for satisfying the basic necessities of local communities or indigenous peoples (for livelihoods, health, nutrition, water, etc.), identified through engagement with these communities or indigenous peoples (e.g. key hunting areas for communities living at subsistence level);
- Sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or indigenous peoples, identified through engagement with these local communities or indigenous peoples (e.g. sacred burial grounds within a forest management area or new agricultural plantation).

Key Biodiversity Area: KBAs incorporate information from the IUCN Red List of Threatened Species, BirdLife International's Important Bird Areas, Plantlife International's Important Plant Areas, IUCN's Important Sites for Freshwater Biodiversity, and sites identified by the Alliance for Zero Extinction. KBAs are identified at the national, sub-national or regional level by local stakeholders using the two globally standard criteria of vulnerability and irreplaceability, and therefore must contain:
- One or more globally threatened species;
- One or more endemic species which are globally restricted to the site or surrounding region;
- Significant concentrations of a species (e.g. important migratory stops, nesting sites, nurseries or breeding areas); and/or
- Globally significant examples of unique habitat types and species assemblages.

For more information: http://www.biodiversitya-z.org/content/key-biodiversity-areas-kba

Local communities: People living in or near a site intended to be converted into a palm oil plantation, and who can be adversely affected by such a development.

Paraquat: Paraquat is the trade name for one of the most widely used herbicides. It is quick-acting and non-selective, killing green plant tissue on contact. It is toxic to animals and human beings, and linked to development of Parkinson’s disease. In the United States, paraquat is classified as “restricted use”, which means that it can be used by licensed applicators only. In the European Union, paraquat has been forbidden since 2007.

Palm oil mill / palm oil mill effluent: A palm oil mill processes fresh fruit bunches coming from oil palm plantations and produces crude palm oil (CPO). The CPO is usually then sold to traders or refiners (i.e. downstream palm oil companies) for further processing. Palm Oil Mill Effluent (POME) is the liquid waste resulting from the CPO production process, highly acidic and with high biological and chemical oxygen demand.

Peatland: A soil that contains at least 65% organic material, is at least 50 cm in depth, covers an area of at least 1 ha, and is acidic in nature (Driessen, 1978; Wösten & Ritzema, 2001).

Rotterdam Convention: The Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade is a multilateral treaty to promote shared responsibilities in relation to importation of hazardous chemicals, signed in 1998 and effective in 2004. The convention promotes open exchange of information and calls on exporters of hazardous chemicals to use proper labelling, include directions on safe handling, and inform purchasers of any known restrictions or bans. Signatory nations can decide whether to allow or ban the importation of chemicals listed in the treaty.

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RSPO Principles and Criteria (2013): The RSPO Principles and Criteria for Sustainable Palm Oil Production are the standard against which palm oil producers can be certified. Each of the following eight principles is declined into criteria:

- Principle 1: Commitment to transparency
- Principle 2: Compliance with applicable laws and regulations
- Principle 3: Commitment to long-term economic and financial viability
- Principle 4: Use of appropriate best practices by growers and millers
- Principle 5: Environmental responsibility and conservation of natural resources and biodiversity
- Principle 6: Responsible consideration of employees and of individuals and communities affected by growers and mills
- Principle 7: Responsible development of new plantings
- Principle 8: Commitment to continuous improvement in key areas of activity

Stockholm Convention: The Stockholm Convention on Persistent Organic Pollutants is an international environmental treaty, signed in 2001 and effective from May 2004, that aims to eliminate or restrict the production and use of persistent organic pollutants (POPs).

UNESCO World Heritage Sites: Designated cultural and natural heritage areas around the world that are considered of outstanding value to humanity and which are listed under the World Heritage Convention.

Wetlands on the Ramsar list: These wetlands are defined as “Sites containing representative, rare or unique wetland types” or “Sites of international importance for conserving biological diversity” listed in the Convention on Wetlands adopted in Ramsar, Iran in 1971.

WHO Class Ia or Ib pesticides correspond to the pesticides that pose the greatest risks to human health according to the World Health Organization's Recommended Classification of Pesticides by Hazard.
WOOD PULP

a. Background
The demand for paper product is set to increase significantly over the coming years and is likely to have significant impacts on the sustainability of the sector.

Most environmental and social impacts are concentrated in forestry management and wood pulp production. BNP Paribas Asset Management identifies five main sustainability issues associated with these parts of the supply chain:

- Environmental and biodiversity issues linked to the deforestation and the industrial wood plantations to supply wood resources to the pulp mills
- Social issues linked to the development of a pulp mill or an industrial wood plantation project (respect of local people rights, involvement of local communities, job development...)
- Water and wastewater management in the pulp process, particularly dioxin emissions from bleaching
- Occupational health and safety in wood plantations and pulp mills
- Environmental management in pulp mills (inc. air emissions and waste management)

BNP Paribas Asset Management will continue, under certain conditions set out in this document, to invest in wood pulp sector as it believes that it can be produced in a sustainable and responsible way.

b. Companies Concerned.
These guidelines apply to companies directly involved in the upstream or downstream wood pulp value chain.

Upstream refers to the industrial wood plantations and forest harvesting activity of pulp producers, whereas downstream refers to wood pulp producers, including for their own use, and traders.

Other companies further up or down the value chain (paper making companies which do not produce their own pulp, chemicals manufacturers and machinery manufacturers as well as paper retailers and distributors) are not within the scope of these guidelines.

c. Mandatory Requirements for Forestry Management
BNP Paribas Asset Management requires that upstream pulp companies comply with existing social and environmental laws, at a local or state/provincial level, as well as with international regulations ratified by their operating countries. These include Convention on International Trade on Natural Species of Wild Flora and Fauna, Convention on Biological Diversity, International Labor Organization Convention 169 Concerning Indigenous & Tribal Peoples in Independent Countries, ILO Conventions on Forced Labour and Worst Forms of Child Labour.

In order to ensure that basic social requirements are met and to limit negative impacts on climate change and biodiversity, BNP Paribas Asset Management requires that upstream pulp companies:

- Do not use child or forced labour manpower;
- Will not develop a new plantation on land owned or occupied by local communities without having (and in line with the FSC or PEFC principles and criteria):
  - conducted a free, prior and informed consultation process,
  - achieved an acceptable compensation arrangement, and
  - implemented an efficient grievance mechanism.
- Do not use illegally harvested wood8.
- Do not convert UNESCO World Heritage Sites into industrial wood plantations;

8 Illegal logging definition for this policy is the list of illegal logging acts given by the FAO Committee on Paper and Wood Products in their study Defining illegal logging: what it is, and what is being done about it? (2003).
d. Evaluation Criteria for Forestry Management

BNP Paribas Asset Management encourages upstream pulp companies to move towards higher standards of sustainability. Concerning forest management, BNP Paribas Asset Management believes FSC and PEFC are currently the best available set of criteria for sustainability in this industry and encourages upstream pulp companies:

- to become an active member of their national FSC or PEFC multi-stakeholders governance systems (or any equivalent forest management initiative that may emerge);
- in the case of pulp producers buying wood from external parties, to ask to their suppliers to have their forest or plantation FSC or PEFC certified or to design and implement action plans to have the forest or the plantation certified within a five-years period\(^9\);
- in the case of forest and plantation managers, to have their forest or plantation FSC or PEFC certified or to design and implement action plans to have the forest or the plantation certified within a five-years period\(^10\).
- BNP Paribas Asset Management also encourages upstream pulp companies to present a clear and stringent environmental management procedure for existing plantations. This procedure will clearly indicate how the project is dealing with agro-chemicals, water and biodiversity management. In case of an external supply of wood for the pulp mill, the company must ask such procedure to its suppliers.
- BNP Paribas Asset Management strongly encourages upstream pulp companies to develop alternatives to plantations on peat lands, as peatlands are valuable for the various and crucial ecosystem services they provide. These functions and values include biodiversity maintenance, carbon and water storage, as well as water regulation and quality.

\(^9\) This five-year period will start at the official publication date of this policy.
\(^10\) Ibid
publication date of this policy, these parameters are the followings: Flow, pH, TSS, COD, BOD5, AOX, Total N, Total P.  

- Provide a monitoring plan of the workforce health & safety conditions on a regular basis.

f. Evaluation Criteria for Pulp Production

BNP Paribas Asset Management encourages downstream pulp companies to move towards higher standards of sustainability. BNP Paribas Asset Management believes that FSC and PEFC are currently the best available set of criteria for fiber sourcing sustainability in the pulp industry and encourages downstream pulp companies (i.e. pulp producers and traders):

- to obtain the FSC or PEFC Chain of Custody (CoC) certification for their activities. They are also encouraged to set up policies requiring that their suppliers (i) have their own plantations FSC or PEFC certified within a five-year period as well as (ii) encourage the traceability of sources of wood for the pulp industry by securing FSC or PEFC CoC certification for their activities. In any case, downstream pulp companies should present a credible sourcing plan for wood (at the beginning of the project in case of new pulp mills); mentioning if needed an external supply of wood and specifying what is this external source;
- to become an active member of their national FSC or PEFC multi-stakeholders governance systems (or any equivalent forest management initiative that may emerge);

Concerning water and air emissions, BNP Paribas Asset Management encourages pulp producers:

- to ensure that emission levels at all their pulp mills are under or equal to the levels presented in the IFC EHS Guidelines for Pulp and Paper Mills (Annex B on “Effluents and Emissions Guidelines”). In the case they are higher than such emission levels, BNP Paribas encourage pulp producers to develop efficient action plans to correct these deviations and decrease emissions until they are below the IFC’s levels.
- to present (at the beginning of the project in case of a new pulp mill) a credible energy sourcing plan and the impact of this energy mix on CO2 emissions.

In relation to Environmental & Social Management Systems (ESMS) and Health & Safety Management Systems (HSMS), BNP Paribas Asset Management believes that ISO 14001 and OHSAS 18001 are currently the best available sustainability certificates for industrial processes and BNP Paribas Asset Management encourages pulp producers:

- to set up and implement an EMS dealing with air, water emissions, waste management, soil and groundwater contamination and to develop a plan to have their activities ISO 14 001 (or equivalent EMS certification scheme) certified within a five-years period;  
- to set up and implement a HSMS and to develop a plan to have their activities OHSAS 18 001 (or equivalent HSMS certification scheme) certified within a five-years period.


g. Key Definitions

The following definitions apply in these guidelines:

AOX: Absorbable Organic halogen is a group of halogenated organic substances that are able to absorb onto activated carbon.

ASEAN no burn policy: In response to the land and forest fires that affected the ASEAN region in 1997/98, the ASEAN Environment Ministers agreed to adopt the policy on zero burning at the 6th ASEAN Ministerial Meeting on Haze in April 1999, and to promote its application by plantations in the region. The guidelines for the implementation of this policy have been developed to provide advice to plantation owners, managers, supervisory staff and contractors on the application of the zero burning technique for development of oil palm plantations.

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12 This five-year period will start at the official publication date of this policy for companies.

13 Ibid.

14 http://www.rspo.org/?q=page/864
BOD5: Biological Oxygen Demand measures the amount of dissolved oxygen needed by aerobic biological organisms in a body of water to break down organic material.

COD: Chemical Oxygen Demand (COD) measures the amount of organic compounds in water.

ECF: Elementary Chlorine Free (ECF) process for bleaching the pulp. It allows obtaining concentrations of dioxins and furans in the effluents that are under the detections limits.

EMS: Environmental Management System. It can be recognized by an ISO 14 001 certification or equivalent.

FSC Principles and Criteria established in 1993 (as reported in the Sustainable Forest Finance Toolkit of the WBCSD). FSC is a system of national and regional standards consistent with 10 principles of SFM that cover the following issues:

1. Compliance with laws and FSC principles
2. Tenure and use rights and responsibilities
3. Indigenous people’s rights
4. Community relations and workers’ rights
5. Benefits from the forests
6. Environmental impact
7. Management plans
8. Monitoring and assessment
9. Special sites – high conservation value forests (HCVF)
10. Plantations

These principles were developed by a global partnership of stakeholders convened by FSC. The principles apply to all tropical, temperate and boreal forests and are to be considered as a whole. All national and regional standards are derived in-country from the 10 principles. The principles are expected to be used in conjunction with national and international laws and regulations, and in compatibility with international principles and criteria relevant at the national and sub-national level (FSC Policy and Standards; principles and criteria of forest stewardship) (FSC, 1996). There is variation in regional standards and in interim standards adopted by auditing bodies.

High Conservation Value Forests (HCVF): are defined as follows (from the Forest Stewardship Council, reported in the Sustainable Forest Finance Toolkit of the WBCSD):

- Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species);
- Forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance;
- Forest areas that are in or contain rare, threatened or endangered ecosystems;
- Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control);
- Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health);
- Forest areas critical to local communities’ traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).

H&S: Health and Safety Management System. It can be recognized by an OHSAS 18 001 certification or equivalent.

Local community: broad group of people living in or near a forest or plantation, with significant level of dependence on it. The term includes forest dwellers, indigenous forest-adjacent populations and recent immigrants. (Source: IFC Operational Policy on Forestry).

Peatlands: Wetland in which substantial peat accumulation—at least one foot (30 cm)—has taken place. The peatland substrate is an organic structure built by biological activity. Peatlands are valuable for the various and crucial ecosystem services they provide. These functions and values include biodiversity maintenance, carbon and water storage, solute detention and water regulation and quality.

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15 [http://www.pwc.co.uk/eng/issues/forest_finance_home.html](http://www.pwc.co.uk/eng/issues/forest_finance_home.html)

Firstly, undrained peatlands are unique natural resources forming distinct ecosystems of great biodiversity importance for the maintenance of genetic, species and habitat levels.

Peatlands are also water catchments. They modify water quality and quantity, act as sinks for some substances, produce others, and influence the temporal pattern of water supply to rivers and lakes. The role of peatlands in water regulation depends on maintaining the integrity of their unique hydrology that is independent of but linked to that of adjacent wetlands and the wider landscape.

Finally, peatlands have been major global carbon stores for millennia. Peatlands also emit CO2 and CH4, the amounts being influenced by temperature and water level, both of which are likely to be affected by removal of vegetation, drainage and future climate change. Agriculture on drained peatlands leads to substantial emissions of carbon dioxide and nitrous oxide (N2O).17

PEFC Principles and Criteria established in 1999 (as reported in the Sustainable Forest Finance Toolkit of the WBCSD). PEFC is a mutual recognition mechanism for national and regional certification systems. Endorsed certification systems are to be consistent with internationally agreed environmental, social and economic requirements such as the Pan-European Operational Level Guidelines (PEOLG), the African Timber Organization (ATO) and International Tropical Timber Organization’s (ITTO) Guidelines, as well as intergovernmental processes on criteria and indicators for SFM. The elements of SFM covered by these requirements may vary to fit the circumstances of the areas for which they were developed. For instance, the Pan-European Operational Level Guidelines cover the following:

1. Maintenance and enhancements of forest resources and their contribution to global carbon cycles
2. Maintenance and enhancement of forest ecosystem health and vitality
3. Maintenance of productive functions of forests
4. Maintenance, conservation and enhancement of biodiversity
5. Maintenance and enhancement of protective functions in forest management
6. Maintenance of socioeconomic functions and conditions

Endorsed certification systems are expected to be consistent with international agreements such as ILO core conventions, as well as conventions relevant to forest management and ratified by the countries such as the Convention on Biological Diversity (CBD), CITES and others. There is variation among member certification standards, with some standards exceeding PEFC requirements (PEFC, 2006A).

pH: In chemistry, pH is a measure of the acidity or basicity of an aqueous solution.

Ramsar sites: “Sites containing representative, rare or unique wetland types” and “Sites of international importance for conserving biological diversity” listed in the Convention on Wetlands adopted in Ramsar, Iran in 1971 ( Ramsar convention18).

TCF: Totally Chlorine Free (TCF) process for bleaching the pulp replace totally the chlorine by an oxygen bleaching process.

Total N: Total quantity of Nitrogen.

Total P: Total quantity of Phosphor.

TSS: Total Suspended Solids is a water quality measurement, measuring the non-filterable solids concentration in the water.

UNESCO World Heritage areas: Designated cultural and natural heritage areas around the world that are considered of outstanding value to humanity and which are listed under the World Heritage Convention19

17 Sources: Assessment on Peatlands, Biodiversity and Climate change, UNEP-GEF 2007, Strategy for responsible peatland management, IPS 2010
19 http://whc.unesco.org/en/list/
NUCLEAR POWER GENERATION

a. Background

In 2010, the worldwide nuclear power sector provided around 2 755 TWh, almost 1/8th of the electricity produced in the world. The most important producing countries are the United States of America (with 104 nuclear reactors) and France (58 reactors). According to the IEA, the share of nuclear power in generation will continue increasing with more than 130 GW of new additions over the period between 2010 and 2035 and extended lifetime for several plants.

Furthermore, countries that chose to develop their nuclear industry consider that it has positive impacts, especially on economic development, energy security of supply and greenhouse gas emissions reduction.

BNP Paribas Asset Management, as a financial institution, may provide financial products and services to governmental entities supporting and/or to companies developing civil nuclear power. BNP Paribas Asset Management considers that it is essential - both for the countries under consideration and for the international community as a whole - that any country undertaking a nuclear power program or developing additional nuclear power plants is not only willing but also capable of meeting essential requirements regarding safety, security, non-proliferation, protection of populations and of the environment for future generations.

BNP Paribas Asset Management has defined the present sector policy to identify specific requirements to select companies that take into account the above-mentioned considerations.

This policy may evolve over time. BNP Paribas Asset Management will especially consider and take into account studies and policies regarding best practices for nuclear plants for electricity generation and may update this document based on new information and parallel initiatives.

b. Companies Concerned.

These guidelines apply to companies involved in a Nuclear Power Plant (NPP) as owner or operator of the nuclear island, and to companies involved in the nuclear fuel cycle (defined as uranium enrichment, fuel fabrication, used fuel recycling and/or storage and disposal of nuclear waste).

BNP Paribas Asset Management expects Nuclear Companies to comply with existing local laws and licensing arrangements as well as with international conventions ratified by their operating countries. In addition to compliance with these regulations, these guidelines set additional criteria to be respected by Nuclear Companies.

c. Mandatory Requirements applicable to Companies involved in a Nuclear Power Plant (NPP)

The Nuclear Company only owns or operate NPPs whose nuclear reactors have a design which is similar to reactors operated in a Reference Nuclear Country or which has been validated by the NSA of a Reference Nuclear Country.

The Nuclear Company has a global policy ensuring radiation monitoring (both on site and around the site) and the protection of workers.

There is an independent chain of control to monitor the safety of the nuclear operations.

The following requirements have to be applied to the incorporation country of the Nuclear Company and of its parent company

(i) Proper legal framework:

- An official approval by the government and the supervising bodies of the civil nuclear power sector has been obtained for the NPP project,
- Protection of workers is required in the regulatory framework,
- Existence of a plan for the development of long-term solutions for the management of high and intermediate level nuclear waste,
• Existence of a plan for the dismantling of NPPs.

(ii) International cooperation:
• Host country is signatory to the Non Proliferation Treaty (or an equivalent bi-lateral agreement on nuclear energy safety and proliferation with a Reference Nuclear Country),
• The last available Comprehensive Safeguards Agreement Report by the IAEA doesn’t mention any specific issues or any lack of information that would hinder the monitoring of the nuclear facilities of the host country,
• The NPPs of the host country dedicated to producing electricity are used for peaceful purposes,
• Participation in the IAEA Incident Reporting System (IRS) (in case of a country with no prior nuclear facility, this participation is planned before the commissioning of the first NPP in such new entrant country).

(iii) Nuclear Safety Agency:
• Existence of a Nuclear Safety Agency (NSA) or an equivalent state agency that covers at least the control of Nuclear Power Plants throughout its life cycle,
• The NSA has the statutory power to run inspections that can lead to sanctions.

(iv) Political stability and country security:
Host country offers a satisfactory level of stability allowing visibility over a safe and long-term operation of the NPP. This level of stability and security is assessed against the following criteria:
• Host country is not subject to international sanctions,
• NPP project is not located in a conflict zone,
• Existence of national and/or local prevention and emergency plans adapted to the geographical specifics, including external hazards (such as flooding or earthquake risks).

d. Evaluation Criteria applicable to Companies involved in a Nuclear Power Plant (NPP)
In addition to the above mandatory requirements, BNP Paribas Asset Management will consider further evaluation criteria to assess the standards of Nuclear Companies against those of the main Nuclear Companies of a Reference Nuclear Country (for those involved in a NPP). The objective of these criteria is to evaluate the capacity of the Nuclear Company to effectively monitor and mitigate environmental and social impacts.

BNP Paribas Asset Management will therefore evaluate their long-term financial strength as well as their experience (including experience of their top management) and track record regarding safety, security and the environment. BNP Paribas Asset Management will also evaluate the thoroughness of their subcontractor selection process, their transparency, as well as their cooperation with peers and supervisory bodies (in particular those from Reference Nuclear Countries).

e. Mandatory Requirements applicable to Companies involved in the Nuclear Fuel Cycle
The mandatory requirements detailed above for NPPs have to be applied to the incorporation country of the Nuclear Company and of its parent company,

Operating licenses of the Nuclear Company are not suspended in the host country nor in any Reference Nuclear Country,

There is an independent chain of control to monitor the safety of the nuclear operations,

The Nuclear Company has put in place policies and procedures to prevent and limit any radiation emission.
f. Evaluation Criteria applicable to Companies involved in the Nuclear Fuel Cycle

In addition to the above mandatory requirements, BNP Paribas Asset Management will consider further evaluation criteria to assess the standards of Nuclear Companies against those of main Nuclear Companies of a Reference Nuclear Country (for those involved in the nuclear fuel cycle). The objective of these criteria is to evaluate the capacity of the Nuclear Company to effectively monitor and mitigate environmental and social impacts.

BNP Paribas Asset Management will therefore evaluate their long-term financial strength as well as their experience (including the experience of their top management) and track record regarding safety, security and environment. BNP Paribas Asset Management will also evaluate the thoroughness of their subcontractor selection process, their transparency, as well as their cooperation with peers, supervisory bodies (in particular those from Reference Nuclear Countries), and international research programs.

g. Key Definitions

Comprehensive Safeguards Agreements: “Safeguards are activities by which the IAEA can verify that a State is living up to its international commitments not to use nuclear programs for nuclear-weapons purposes” (Extract from IAEA FAQ). Comprehensive Safeguards Agreements are set between countries and the IAEA to enable the latter to pursue various such verifications.

IAEA: International Atomic Energy Agency. The IAEA is the United Nations’ centre of cooperation in the nuclear field. It was set up in 1957 and works with its Member States and multiple partners worldwide to promote safe, secure and peaceful nuclear technologies.

INES Scale: International Nuclear and Radiological Event Scale. It is a tool for communicating to the public in a consistent way the safety significance of nuclear and radiological events (including events from industrial and medical use of radiation sources, operations at nuclear facilities and transport of radioactive material).

Events are classified on the scale at 7 levels:
- Levels 1–3 are called “incidents”
- Levels 4–7 are called “accidents”.

The scale is designed so that the severity of an event is about ten times greater for each increase in level on the scale. Events without safety significance are called “deviations” and are classified Below Scale / Level 0.

IRS: Incident Reporting System. IRS is a joint initiative of IAEA and NEA (OECD Nuclear Energy Agency). This worldwide system collects and analyses information provided by operators. Its ultimate objective is to enhance the safety of NPPs by reducing the frequency and severity of safety significant unusual events at NPPs worldwide.

OECD: Organisation for Economic Cooperation and Development. High income OECD countries are those with a Gross National Income (GNI) per capita of $12,196 or more, based on the World Bank Atlas method.

NPP: Nuclear Power Plant. Power plant based on nuclear fission designed and operated for the production of electricity.

NPT: Non-proliferation treaty. The NPT is an international treaty whose objective is to prevent the spread of nuclear weapons and weapons technology, to promote co-operation in the peaceful uses of nuclear energy and to help achieving nuclear disarmament and general and complete disarmament.

NSA: Nuclear Safety Agency. The NSA is a generic term for the administrative authority in charge of ensuring nuclear control and safety. It regulates nuclear safety and radiation protection in order to protect workers, patients, the public and the environment. It also contributes to informing the citizens.

Nuclear fuel cycle: for the purpose of this policy, the nuclear fuel cycle comprises the following activities: uranium enrichment, fuel fabrication, used fuel recycling and/or storage and disposal of nuclear waste.

Reference Nuclear Country: Defined as any country having demonstrated a high level of nuclear safety and reliability in the operation of a large NPP fleet. BNP Paribas defines Reference Nuclear Countries as high income OECD countries with top tier...
experience in operating NPPs (measured in reactor-years) and no nuclear accidents – as defined by the level 4 and above of the INES scale – recorded on a NPP during the last five years.
**COAL-FIRED POWER GENERATION**

*a. Background*

Coal plays a significant role in the global energy mix. According to the International Energy Agency (IEA), as of 2014, approximately 41% of the world’s electricity needs were provided by coal, making it the second source of primary energy after oil\(^2\). Coal can contribute to the economic development of some countries by enabling low cost and reliable electricity access and by supporting their energy independency and according to IEA’s two degree scenario, it will still represent ¼ of the world’s electricity production in 2025.

BNP Paribas Asset Management also acknowledges that coal-fired power generation is a large emitter of carbon dioxide (CO2) and a key contributor to climate change. According to the IEA, coal-fired power plants account for respectively 73% of CO2 emissions from power generation and 30% of the total energy-related CO2 emissions\(^{24}\).

Therefore, a balance must be found between the needs for enhanced electricity access and economic development and the needs for reducing CO2 emissions from human activities which is critical to limit climate change. Acknowledging the differentiated responsibilities of countries in the need to reduce greenhouse gas (GHG) emissions, BNP Paribas has chosen to support only power producer companies that are actively involved in the energy transition undertaken by their country.

In addition, BNP Paribas Asset Management considers that it is also very important that any CFPG company meets essential requirements regarding health, safety and the protection of the environment for future generations.

*b. Companies Concerned.*

**Coal-Fired Power Generation (CFPG)** companies: utility companies involved in the power generation sector that owns or operates CFPPs and for which coal-fired power accounts for at least 30% of their total installed power generation capacity.

*c. Mandatory Requirements*

BNP Paribas Asset Management will invest in CFPG companies that meet the following requirements:

- The CFPG company has a diversification strategy to reduce the share of coal in its power generation mix\(^25\). This diversification strategy must be at least as ambitious as the national commitment to limit GHG emissions of the country where its principal operations are located. The implementation of the strategy will be annually monitored.

- The CFPG company discloses or can provide on demand its safety track record (work accidents, fatalities...).

- The CFPG company discloses or can provide on demand the following environmental data: atmospheric emissions of sulphur dioxide (SO2), nitrogen oxides (NOX), particulate matter (PM), and carbon dioxide (CO2), as well as water consumption, ash generation and disposal methods.

*d. Evaluation Criteria*

BNP Paribas Asset Management will also carry out an analysis of the CFPG company, based on the following evaluation criteria.

- The CFPG company is not subject to regular and repeated criticism about its environmental, social and governance performance on material issues\(^7\), or is taking actions to address such issues if they have occurred.

- The CFPG company has a health and safety policy to protect its workers (risk reduction policy, training program).

- The CFPG company has put in place an information and consultation process for local communities impacted by new projects development.

- The CFPG company has a convincing environmental, social, health and safety track record.

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\(^{24}\) The power sector accounts for 42% of the world’s total energy-related CO2 emissions (World Energy Outlook 2016).

\(^{25}\) In certain countries, the government imposes a national energy strategy on state-controlled companies. For such companies, BNP Paribas will nevertheless require that they take actions to lower their CO2 intensity (e.g. through development of renewable energy projects, replacement of old power plants by modern ones, or energy efficiency improvements).
e. Key definitions

**CCS:** Carbon Capture and Storage is a process consisting of the separation of CO2, transport to a storage location and long-term isolation from the atmosphere. While CCS is a promising technology and a key climate change mitigation option for the future, it is unlikely to be widely applied on a commercial basis before 2020, although opinions differ among various stakeholders. At the time of publication of this policy, there are three main technologies currently available:

- **Pre-combustion** CO2 capture involves a previous gasification of coal to produce a gas stream of CO2 and hydrogen, captured and stored after the segregation of the two gases.
- **In Post-combustion** capture CO2 is captured from the flue gases by using a chemical solvent that reacts with CO2. The cleaned flue gas is released into the atmosphere, while the captured CO2 is transported to a storage site.
- **Oxy-fuel** combustion involves burning fossil fuel in nearly pure oxygen rather than in air. This produces a nitrogen free flue gas with water vapor and a high concentration of carbon dioxide as its main components. This makes it easy to further concentrate the flue gas to an almost pure stream of CO2.

**CO2 intensity:** it relates to the ratio between carbon dioxide (CO2) emissions of a power plant and the quantity of electricity generated by this same power plant, during a given timeframe (typically one year). This ratio is expressed in gCO2/KWH, for example.
CONTROVERSIAL WEAPONS

a. Background

While BNP Paribas Asset Management recognises the right of countries to defend themselves and protect their national security, the Group acknowledges that the defence sector presents specific risks related to (1) the status of certain weapons, (2) their potential end use, and (3) the risk of corruption:

(1) Controversial weapons: these weapons have indiscriminate effects and cause undue harm and injuries. Certain controversial weapons, namely cluster munitions, antipersonnel mines, chemical and biological weapons and nuclear weapons are regulated by international conventions.

(2) Potential irresponsible use of non-controversial weapons: the potential for the irresponsible end-use of military, security or police equipment is an important issue in this sector. This is why some countries are subject to international monitoring and subject to international sanctions and specific embargoes on weapons trade. As a major European financial institution, the Group recognises the validity of the position of the European Union Council, which states the five greatest challenges and threats to European Union security are terrorism, proliferation of weapons of mass destruction, regional conflicts, failed states and organised crime. Illicit weapons trade, in particular trade in small arms, figures at the centre of four of these five threats. Initiatives at different stages of implementation aim at preventing weapons from being supplied to repressive regimes and/or terrorist groups (embargoes, the EU Code of Conduct on Arms Exports and the Arms Trade Treaty). BNP Paribas Asset Management implements strengthened oversight measures to examine transactions involving the most sensitive countries. Until small arms trade has been addressed by an international treaty, the Group’s oversight also includes transactions involving small arms.

(3) Corruption risk: BNP Paribas Asset Management also recognises that international trade in weapons is particularly exposed to the risk of corruption and money laundering. Trade in non-controversial arms may finance dictatorial and/or corrupt regimes and terrorist groups. This is why, in keeping with its commitment to exemplary efforts to fight corruption and money laundering, the Group implements strengthened oversight and control measures. These measures are designed to ensure the traceability of payments, the transparency of commercial and banking intermediaries, knowledge of the destinations of goods and final buyers and the consistency of prices and commissions paid to commercial intermediaries.

b. Companies Concerned

Any company, group, institution, state agency or organization involved in the manufacture, sale, storage or maintenance of weapons (see Key definitions for detailed definition of the term “weapons”).

“Controversial weapons” is a concept subject to change over time. At the date of publication of this policy, BNP Paribas Asset Management considers the following to be “controversial weapons”:

- **Anti-personnel mines**: the Ottawa Convention, which took effect in March 1999, bans the use of anti-personnel mines;
- **Cluster weapons**: the Convention on Cluster Munitions (Oslo Convention) adopted in 2008 prohibits the use, stockpiling, production and transfer of cluster munitions;
- **Nuclear weapons**: the Nuclear Non-proliferation Treaty (NPT) of 1968, which took effect in 1970 aims at inhibiting the proliferation of nuclear weapons;
- **Biological and chemical weapons**: the Biological and Toxin Weapons Convention (BTWC) of 1972 and the Chemical Weapons Convention (CWC) of 1993 outlaw biological and chemical weapons;
- **Depleted uranium munitions**: no current international convention exists, but BNP Paribas Asset Management recognises the concerns of certain stakeholders concerning depleted uranium munitions.
c. **Mandatory Requirements**

BNP Paribas Asset Management does not wish to invest in companies involved in the manufacture, trade or storage of "controversial weapons", or any other activity involving controversial weapons.\(^{26}\)

BNP Paribas Asset Management considers that a company is involved in the manufacture, trade or storage of controversial weapons when the company:

- produces, buys or sells or stores controversial weapons or components that are specifically designed for these weapons (dedicated components) and which represent a significant constituent component required for the functioning of the weapon (key component) and /or;
- provides assistance, technologies or services dedicated to controversial weapons.

If one of the above-mentioned activities takes place within a subsidiary, the direct parent company is also considered to be involved in controversial weapons if it holds a majority equity interest in the subsidiary. Likewise, any majority-owned subsidiaries of a parent company involved in controversial weapons are also deemed to be involved.

d. **Key Definitions**

**Anti-personnel mine**: A mine that is designed to be exploded by the presence, proximity or contact of a person and that will incapacitate, injure or kill one or more persons (definition from Ottawa Convention, 1997).

**Arms Trade Treaty**: Arms Trade Treaty (ATT) is the name of a future UN Treaty that aims at controlling and regulating the importation, exportation and transfer of conventional weapons. The Treaty was adopted by the UN in April 2013.

**Biological weapon**: Are defined in line with the multilateral Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their destruction (1972):

- (a) Microbial or other biological agents, or toxins whatever their origin or method of production, of types and in quantities that have no justification for prophylactic, protective or other peaceful purposes;
- (b) Weapons, equipment or means of delivery designed to use such agents or toxins for hostile purposes or in armed conflict.

**Chemical weapon**: Are defined in line with the multilateral Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993):

- (a) Toxic chemicals and their precursors, except where intended for purposes not prohibited under this Convention, as long as the types and quantities are consistent with such purposes;
- (b) Munitions and devices, specifically designed to cause death or other harm through the toxic properties of those toxic chemicals specified in subparagraph (a), which would be released as a result of the employment of such munitions and devices;
- (c) Any equipment specifically designed for use directly in connection with the employment of munitions and devices specified in subparagraph (b)

**Cluster munitions**: A conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms, and includes those explosive submunitions (definition from the Convention on Cluster Munitions, 2008).

**Controversial weapons**: Controversial weapon is a dynamic concept likely to change in time. As of the publication date of this policy, BNP Paribas Asset Management considers the following as "controversial weapons":

- (a) Anti-personnel mines: the Ottawa Convention, effective since March 1999, bans the use of anti-personnel mines;

\(^{26}\) An exception is made for companies that only contribute to government controlled nuclear weapon programs in NATO countries that are authorized to possess nuclear weapons under the Nuclear Non-Proliferation Treaty.
(b) Cluster weapons: the convention on Cluster Munitions (Oslo Convention) adopted in 2008 prohibits the use, stockpiling, production and transfer of cluster munitions;

(c) Nuclear weapons\(^{27}\): the Nuclear Non-proliferation Treaty (NPT) of 1968, effective since March 1970, aims at inhibiting the proliferation of nuclear weapons;

(d) Biological and chemical weapons: the Biological and Toxin Weapons Convention (BWC) of 1972 and the Chemical Weapons Convention (CWC) of 1993 outlaw biological and chemical weapon;

(e) Depleted uranium ammunitions: no current Convention exists, but BNP Paribas Asset Management acknowledges the society’s general concern over depleted uranium ammunition.

**Depleted uranium ammunition**: Ammunition containing depleted uranium.

**Financial Action Task Force**: The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing.

**Nuclear weapon**: A device that is capable of releasing nuclear energy in an uncontrolled manner and which has a group of characteristics that are appropriate for use for warlike purposes (definition from Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean, 1967).

**Weapons**: A weapon is generally defined as being a device for use in attack or defence in combat, fighting, or war. Equipments such as radars, binoculars, unarmed trucks are not considered as a weapon.

Definitions above are susceptible to changes over time. We will monitor and continue to follow any new applicable regulation including the negotiations related to the Arms Trade Treaty (ATT).

\(^{27}\) An exception is made for companies that only contribute to government controlled nuclear weapon programs in NATO countries that are permitted to possess nuclear weapons under the Nuclear Non-Proliferation Treaty.
ASBESTOS

a. Background

The term “asbestos” refers to a set of silicate minerals made up of microscopic fibers. Asbestos was long used in industrial and commercial applications because of its physicochemical properties, including resistance to fire, low thermal, acoustic and electrical conductivity, mechanical resistance, resistance to chemical attacks and elasticity.

The inhalation of asbestos fibers is dangerous and can cause serious illnesses, such as asbestosis and cancer, which can take up to 40 years to develop after the start of exposure.

Asbestos was used on a massive scale for more than 130 years. Asbestos consumption in France peaked between 1973 and 1975.

b. Companies Concerned

These guidelines apply to companies involved in asbestos as owner or operator of asbestos mines and asbestos fiber production facilities.

c. Mandatory Requirements

BNP Paribas Asset Management does not want to invest in companies that own or operate asbestos mines and asbestos fiber production facilities.

d. Key Definitions

The term “asbestos” refers to a set of silicate minerals made up of microscopic fibers, including:

1/ Loosely bound or unbound (friable) asbestos:

- loose raw asbestos used as thermal insulation in the form of loose fill insulation or flocking (sprayed on), which can be found in some old steel-framed buildings
- woven or braided asbestos for thermal insulation of pipes, personal protective equipment, electrical wiring, etc.
- asbestos paper or board (from 5 to 50mm thick) used for thermal insulation of heaters, suspended ceilings, seals, fireproof partition walls, etc.
- asbestos felt, mainly used for filters.

2/ Bonded asbestos:

- asbestos powder added to gypsum plaster mortar, high-bond mortar, bonding agents, plaster patching compounds, etc.
- asbestos mixed with cement (asbestos cement) used in a range of construction materials: corrugated sheets, outside wall sheeting, ventilation ducts, pipes, etc., particularly found in older prefabricated buildings.
- mineral filler in paints, varnishes, sealants, insulating foam, etc.
- asbestos added to plastics for seals, coatings, household utensils, brake linings, clutch facings, etc.
- asbestos added to asphalt for roof waterproofing, anti-corrosion coatings, road surfacing, etc.

More than 50 countries have already banned asbestos, in particular:

1/ Europe:

- The 27 members of the European Union, as well as Iceland, Norway, Switzerland and Turkey.
- Croatia decided to ban asbestos in 2006, but the decision was overturned. Since the country is a candidate to join the European Union, however, it is expected to make the sensible choice to ban asbestos shortly.

2/ North, South and Central America:
Argentina, Chile, Honduras, Uruguay.

The situation in the United States is a legally complex one: asbestos is largely banned in the US, but there is no complete ban. On October 4, 2007, the US Senate unanimously voted to pass an act banning the import and use of asbestos. The 1989 ban issued by the United States Environmental Protection Agency (EPA), however, was partly overturned by a court of appeals.

Prohibitory orders are in force in several states of Brazil, including São Paulo, Rio de Janeiro, Rio Grande do Sul and Pernambuco (N.B. These four states are home to 40% of Brazil’s population).

In a joint declaration signed on June 9, 2010 [see document (in Spanish)], the health ministers of Argentina, Bolivia, Brazil, Chile, Ecuador, Paraguay, Peru, Uruguay and Venezuela underlined the hazards of asbestos and made a commitment to ban asbestos (for those states yet to ban it).

3/ Asia:
- Saudi Arabia, Bahrain, Brunei, South Korea, Israel, Japan, Jordan, Kuwait, Mongolia, Oman, Qatar, Turkey.
- Some countries such as Singapore and Taiwan have issued stringent restrictions which have stopped the use of asbestos.
- The National Health Assembly in Thailand (N.B. Thailand is one of the biggest consumers of asbestos) voted a resolution banning asbestos on December 16, 2010. The ban has not yet come into effect.

4/ Africa:
- South Africa, Algeria, Gabon, Egypt, Mozambique and Seychelles.

5/ Oceania:
- Australia and New Caledonia.
- New Zealand banned the import of raw asbestos, but in theory the import of products containing asbestos is still legal.
MINING

a. Background

The mining sector provides mineral resources which are essential inputs to most sectors of the economy. World population growth, combined with the expectations of developing countries populations for higher levels of infrastructures, services and goods comparable to those enjoyed by the populations of most developed countries, are two factors that contribute to increase the world demand for mineral resources, while available mineral reserves get progressively scarcer and more difficult to access.

The mining sector also represents a significant share of national revenue in a wide range of countries and the responsible development of the mining industry is absolutely crucial in these countries in terms of revenue generation, employment, infrastructure development and support to production.

These considerations should however be balanced against the specific environmental, social, and governance risks associated to the mining industry. These cover water use and quality (especially in areas subject to water scarcity), waste generation, local air pollution and greenhouse gases emissions, land use and impacts on biodiversity, human rights impacts (land reclamation, working conditions, local communities’ health and safety, population influx, physical or economic resettlement, impacts on indigenous people’s livelihood and cultural identity), as well as governance (revenue transparency, environmental and social policies) and benefit sharing issues (such as local job creation and contribution to local economic and social development).

b. Companies Concerned

These guidelines apply to companies, groups or joint-ventures owning mining assets (which represent a significant share of their total assets) and which are involved in exploration, development or operation of such mining assets.

c. Mandatory Requirements

BNP Paribas Asset Management does not want to invest in companies that

- Have their headquarters located in countries under financial sanctions from France, the European Union or the USA, or the United Nations;
- Use child or forced labour as defined in the International Labour Organization (ILO) Conventions28;
- Cannot provide a track record regarding health and safety at company level;
- Are involved in asbestos extraction;
- Cannot disclose or provide on demand information at company level on their performance related to water use, waste and GHG emissions as well as strategies regarding land reclamation.
- That use Mountain Top Removal (MTR) techniques

d. Key Definitions

Carbon and Water Disclosure Projects. The Carbon Disclosure Project (CDP) is an independent not-for-profit organization working to drive greenhouse gas emissions reduction and sustainable water use by business and cities. The CDP works with companies to establish methodologies and encourage disclosure and management of climate and water data (e.g. greenhouse gas emissions, water use and pollution), and with investors to assess risks and opportunities related to climate change and water scarcity, flooding, and pollution.

Extractive Industries Transparency Initiative (EITI): http://eiti.org/. The EITI is a global standard ensuring transparency of payments from natural resources companies. It is a coalition of governments, companies, civil society groups, investors, and international organisations.

Forced labour: it means work or service exacted from a person under threat or penalty, which includes penal sanctions and the loss of rights and privileges, where the person has not offered him/herself voluntarily (Forced Labour Convention n°29, ILO 2001a)

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28 C138 Minimum Age Convention, 1973; C182 Worst Forms of Child Labour Convention, 1999; C29 Forced Labour Convention, 1930
High Conservation Value (HCV) areas: High Conservation Value areas are critical areas in a landscape which need to be appropriately managed in order to maintain or enhance High Conservation Values. There are six main types of HCV areas:

- Areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).
- Globally, regionally or nationally significant large landscape-level areas where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.
- Areas that are in or contain rare, threatened or endangered ecosystems.
- Areas that provide basic ecosystem services in critical situations (e.g. watershed protection, erosion control).
- Areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).
- Areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).
OIL SANDS

a. Background
Oil sands are a type of unconventional petroleum resource (bitumen) that are deposited within a mixture of sand and clay either close to the surface or buried deeper underground.

Canadian oil sands resources alone are estimated to be in excess of 2 trillion barrels, as much as the remaining technically recoverable conventional oil in the entire world\(^29\). Resources that are currently economically and technically recoverable are estimated at 170 billion barrels, which places Canada as the second largest country in the world in terms of recoverable oil reserves, behind Saudi Arabia. Other significant reserves can also be found in countries such as Venezuela, Russia and various countries in the Middle East. The magnitude of these reserves, combined with growing global energy and transportation fuel needs, will result in a foreseeable use of such resource\(^30\).

Despite significant efforts to limit its impacts and to improve mitigation measures, oil sands development may take place in areas of ecological significance (such as peatlands) and could have adverse effects on natural landscapes, the fragmentation of habitats and, for certain oil sands projects, the creation of large tailings ponds. It is also a water-intensive industry that cumulatively may have adverse effects on water availability and quality. The presence of aboriginal communities in the oil sands development region is a key social issue to be taken into consideration.

Similarly to other fossil fuels, the majority of the greenhouse gases (GHG) associated with oil sands’ life cycle is emitted at combustion stage (in vehicles). However, oil sands differ from conventional crudes in its high energy-intensive bitumen production process. Furthermore, on a global scale the development of a large amount of previously untapped fossil fuel resources may prove to be challenging in the context of international efforts to limit climate change. Key Environmental and Social Issues associated with the oil sands industry are further detailed in the Annex.

Oil sands development also provides economic and social benefits which include revenue generation, employment and energy security. The decision to develop and expand the oil sands industry ultimately belongs to the relevant governments and regulators.

In light of the above, BNP Paribas Asset Management considers that it is essential that any company developing oil sands projects meets key stringent environmental and social requirements (if necessary going beyond compliance with the applicable host country laws and regulations, dependent on the scope and effectiveness of local regulation). BNP Paribas Asset Management also strongly encourages oil sands companies to develop and implement the best available technologies and practices in order to reduce their social and environmental footprint.

BNP Paribas Asset Management may invest in companies willing to develop oil sands reserves in a balanced and responsible manner, and has therefore defined the present sector policy to select companies that take into account the above-mentioned considerations

b. Companies Concerned

**Oil sands projects:** development and production activities, including surface mining and in situ recovery as well as integrated bitumen upgrading. Other oil & gas projects linked but not specific to the oil sands industry such as stand-alone upgrading, refining and transport of synthetic crude oil are not included in this scope.

**Oil sands companies:** companies or entities operating (or expected to operate) themselves or via a majority-owned subsidiary at least one oil sands project\(^31\) and that are considered either as Producing Oil Sands Companies and/or either as Non-Producing Oil Sands Companies where:

**Producing Oil sands companies**, are defined as oil sands companies for which: i) oil sands production\(^32\) (i.e. bitumen or synthetic crude oil) represents at least 20% of their total daily production\(^33\); or ii) oil sands production exceeds 100 kbbls/day in the last calendar year;


\(^{30}\)“Unconventional oil is set to play an increasingly important role in world oil supply through to 2035, regardless of what governments do to curb demand.” International Energy Agency, World Energy Outlook 2010, p.49.


\(^{32}\)Gross production before royalties.

\(^{33}\)Company’s worldwide gross production in barrels of oil equivalent.
Non-Producing Oil sands companies are defined as oil sands companies for which oil sands reserves represent more than 10% of their total reserves.\(^{34}\)

c. Mandatory Requirements

BNP Paribas Asset Management will ensure that it only provides financial products and services to oil sands companies that meet sufficient technical, social and environmental standards in respect of their oil sands operations.

The definition of “sufficient technical, social and environmental standards” is dynamic and likely to change over time. As of the publication date of this policy, BNP Paribas Asset Management considers that those cover at least the following mandatory requirements:

- The company is not involved in severe controversies and incidents related to violations of any UN Global Compact Principles relative to its oil sands operations.
- The company has in place environmental and social policies that set forth their standards and/or targets in each of the Key Environmental and Social Issues.
- The company must be involved in research or multi-stakeholders efforts (such as COSIA13) to monitor and address the Key Environmental and Social Issues (such as development of full understanding of groundwater hydrology in the oil sands region, tailings ponds management and land reclamation).
- For Producing Oil sands companies, the company discloses or can provide on demand to BNP Paribas:
  - Safety track records (fatalities, total recordable injuries frequency)
  - Environmental performance data of its existing oil sands projects. This data must distinguish between oil sands in situ recovery and surface mining projects, and must cover at least the following:
    - Water usage (fresh water intensity, share of brackish water, share of recycled water)
    - GHG emissions (GHG intensity, Specified Gas Emitters Regulation compliance data)
    - Air emissions (NOx, SO2 and VOCs intensities)
    - Tailings ponds for oil sands mining projects (surface area of tailings ponds, annual rate of fines captured in dedicated disposal areas)
    - Land use (possibly using the following breakdown: cleared, disturbed, temporary reclaimed, permanently reclaimed, certified, and, for oil sands mining projects planned and actually reclaimed surfaces).
- The company has in place a formal public engagement and aboriginal consultation process
- The company has in place a grievance mechanism through which stakeholders’ concerns can be raised and addressed.
- The company commits not to adversely impact UNESCO World Heritage Sites, federally and provincially protected areas (parks and reserves), and Wetlands of International Importance on the Ramsar List.
- The company has in place a policy to carry out High Conservation Value assessments or equivalent prior to developing new projects, and commits not to convert HCV habitats into industrial oil sands operations in a manner that would result in the irremediable loss of one or more conservation values.

d. Key Definitions

**Aboriginal peoples:** First Nations and Métis – along with Inuit – are Aboriginal peoples recognized by the Canadian Constitution. These peoples are descendants of the original inhabitants of North America and have unique heritages, languages, cultural practices and spiritual beliefs. First Nations are Indian peoples originating from Canada, whereas Métis are people of mixed First Nation and European ancestry. A large part of these communities lives in reserves or settlements.

**Brackish water:** Non-potable salty water from deep aquifers, unsuitable for consumption or agricultural use.

**CCS Ready:** Carbon Capture and Storage (CCS) is a process consisting of the separation of CO2, transport to a storage location, and long-term isolation from the atmosphere. A CO2 capture ready power plant is a plant which can include CO2 capture when the necessary regulatory or economic drivers are in place. A CCS ready facility implies the following measures:
  - A specific study has been carried out to ensure that the facility is technically capable of being fully retrofitted for CO2 capture;
  - It is technically and physically possible to connect retrofitted capture equipment to the existing facility;
  - There are realistic pipeline or other routes to storage of CO2;

\(^{34}\) Proven and probable reserves (in barrels of oil equivalent)
Cogeneration: Cogeneration is the simultaneous production of steam and electricity from a single source (e.g. natural-gas fired boilers). The electricity produced is used for the facility’s requirement and excess production is sold back into the electricity grid. This process enhances energy efficiency and reduces region-wide GHG emissions.

Consultation process: The public engagement and aboriginal consultation process must include at least the following:
- Identification of the aboriginal communities potentially impacted by the project and of their legitimate representative bodies and organizations; this identification may be pursued in collaboration with local authorities;
- Evaluation of the nature and degree of project’s potential impacts on the traditional ecological knowledge and traditional use of land of these communities;
- Information provided to these communities on the project and on its potential adverse impacts on them; this information is provided in a plain language and within a reasonable timeframe before the start of construction;
- Agreement on the organization, extent and objectives of the consultation process with the legitimate representative bodies and organizations of these peoples;
- Consultation of these peoples’ representative bodies and organizations on the mitigation and compensation strategies for the potential adverse impacts on them contemplated by the project.

Cumulative Steam-oil Ratio (CSOR): The amount of steam required per barrel of bitumen produced on average from start of the project up to the calculation date. This metric includes the steam used before the production’s start.

Directive 074: The Energy Resources Conservation Board (ERCB) of Alberta issued on February 2009 a directive on Tailings Performance Criteria and Requirements for Oil Sands Mining Schemes, also called Directive 074. The purpose of this directive is to regulate the reclamation of tailings waste. It requires oil sands mining companies to submit tailings management plans and to divert a minimum portion of fine tailings to dedicated disposal areas.

GHG: Greenhouse Gases

High Conservation Value habitats:
The six High Conservation Values (HCVs) below, which include social values as well as ecological values, cover the range of conservation priorities shared by a wide range of stakeholder groups, and therefore need to be protected. A High Conservation Value area is simply the area (e.g. a forest, grassland, watershed, or landscape-level ecosystem) where these values are found, or, more precisely, the area that needs to be appropriately managed in order to maintain or enhance the identified values:
- HCV1. Areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).
- HCV2. Globally, regionally or nationally significant large landscape-level areas where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.
- HCV3. Areas that are in or contain rare, threatened or endangered ecosystems.
- HCV4. Areas that provide basic ecosystem services in critical situations (e.g. watershed protection, erosion control).
- HCV5. Areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).
- HCV6. Areas critical to local communities’ traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).


Mine Financial Security Program: The MFSP allows the province of Alberta to maintain for each project enough financial security to protect the people of Alberta from the costs associated with the liability of oil sands mining project development in the event a company cannot meet its obligations, for future suspension, abandonment, remediation and surface reclamation work. Financial security is distributed among several deposits: the Base Security Deposit with a fixed amount of securities for each project, and three other deposits (Operating Life Deposit, Asset Safety Factor Deposit and Outstanding Reclamation Deposit) for which the amount depends on several indicators.

Peatlands: Wetland in which substantial peat accumulation – at least one foot (30 cm) – has taken place. The peatland substrate is an organic structure built by biological activity. Peatlands are valuable for the various and crucial ecosystem services they provide.
These functions and values include biodiversity maintenance, carbon and water storage, solute detention and water regulation and quality.

- Firstly, undrained peatlands are unique natural resources forming distinct ecosystems of great biodiversity importance for the maintenance of genetic, species and habitat levels.
- Peatlands are also water catchments. They modify water quality and quantity, act as sinks for some substances, produce others, and influence the temporal pattern of water supply to rivers and lakes. The role of peatlands in water regulation depends on maintaining the integrity of their unique hydrology that is independent of but linked to that of adjacent wetlands and the wider landscape.
- Finally, peatlands have been major global carbon stores for millennia.

Peatlands also emit CO2 and CH4, the amounts being influenced by temperature and water level, both of which are likely to be affected by removal of vegetation, drainage and future climate change. Industrial activities on drained peatlands lead to substantial emissions of carbon dioxide and nitrous oxide (N2O).

**Ramsar sites**: “Sites containing representative, rare or unique wetland types” and “Sites of international importance for conserving biological diversity” listed in the Convention on Wetlands adopted in Ramsar, Iran in 1971 (Ramsar convention).

**Reclamation**: The Reclamation process of an oil sands mining project consists of a series of sequential reclamation activities, which are conducted at different times on different parts of the land, once the land is considered ready-to-reclaim. This process is described in the project’s Mine Reclamation Plan. This plan is required and approved by the province of Alberta, and is updated every three years; it details on a yearly basis and over a ten-year period the surface areas that are to be reclaimed.

**Specified Gas Emitters Regulation**: This regulation, adopted by the Canadian province of Alberta in 2007, requires all existing facilities in Alberta emitting more over 100,000 tons of CO2 equivalent per year to reduce their annual emissions intensity (total annual emissions per unit of production) by 12 per cent from their baseline emissions intensity. This obligation can be achieved by performance improvements or other compliance options (emission performance credits, offset credits or purchase of fund credits – i.e. payment of $15 per tonne of CO2 equivalent to the Climate Change and Emissions Management Fund).

**VOCs**: Volatile Organic Compounds
APPENDIX 5

HOW TO IMPLEMENT PROXY VOTING

The following principles govern the implementation of proxy voting within BNP Paribas Asset Management.

i. Each Investment Partner shall define a voting policy, guidelines and operating procedures that are consistent with the principles defined in this document and take into account local market conditions.

ii. Accountability for exercising voting rights lies with the BNP Paribas Asset Management entity in charge of portfolio management, while operational responsibility can be delegated to another entity.

iii. Subject to legal and technical constraints, proxy voting should apply to open ended-funds (UCITS), and mandates/segregated accounts where voting rights have been delegated by clients.

iv. Shares for which voting rights are exercised should represent a significant proportion of total assets under management, and include companies in which UCITS are an important shareholder.

v. Operating procedures should define key stages of the proxy voting process including: analysis of proposed resolutions, dialogue with companies, decision-making, execution, stock lending/recall, and prevention/resolution of potential conflicts of interest.

vi. Each Investment Partner shall maintain records of voting decisions and report internally on proxy voting activity.

vii. BNP Paribas Asset Management expects voting rights to be exercised according to similar standards for funds delegated to external asset managers (subject to amendment of relevant Investment Management Agreements or Investment Guidelines);

viii. Proxy voting are part of the evaluation criteria of external asset managers to be included in funds of funds and buy lists.
Voting Guidelines

The guidelines below are based on BNP Paribas Asset Management Voting Policy and provide an illustration of how to vote on the most common proxy voting items grouped in four themes: i) Approval of reports and accounts, ii) Financial operations, iii) Appointments and remuneration of directors and executives, iv) Other issues (e.g. related-party transactions).

In each case, the guidelines highlight best practices and concerns that may trigger an “oppose” or “abstain” vote.

### REPORTS AND ACCOUNTS

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<tr>
<th>Voting issue</th>
<th>For</th>
<th>Abstain</th>
<th>Against</th>
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</table>
| Financial Statements / Director and Auditor Reports | • Information provided by the Board presents a full and fair view of company affairs and financial situation.  
 • The accounts have been recommended by an independent audit committee.  
 • The company provides adequate disclosures on key financial and extra-financial risks | • The audit committee comprises less than a third independent members and presence of an executive director in the committee.  
 • The accounts are not available at the cutoff date for correspondence vote  
 • The company does not provide adequate disclosure on environmental and social issues either in its annual report or elsewhere. | • The statutory auditors express reservations or refuse to certify the accounts after having discovered serious irregularities.  
 • The Board has not set up an audit committee (to be reviewed on a case-by-case basis for smaller companies and market practice) |
| Allocation of Income | • The dividend is covered and the pay-out ratio is reasonable  
 • The company has provided sufficient information to indicate the level of dividend. | • The payout ratio is lower than in the last year and falls below 25 percent, and the company has failed to provide an explanation for the reduction (to be reviewed on a case-by-case basis for growth companies which usually need to conserve more cash than mature companies)  
 • The mark-up of the preferred dividend is more than 10% of the regular dividend | |
### Appointment of Auditors and Approval of Audit Fees
- The auditors have been recommended by an independent audit committee.
- The audit committee has disclosed its policy for the provision of non-audit services by the auditors (e.g., excluded services and pre-approval works).
- There is full disclosure of audit fees and advisory fees.
- The audit committee comprises less than a third independent members AND comprises an executive director.
- Advisory or audit fees are not disclosed.
- The Board has not set up an audit committee (to be reviewed on a case-by-case basis for smaller companies and market practice).
- There are potential concerns regarding the independence of the auditors (e.g., advisory fees exceed audit fees, appointments exceeds 6 years).
- There is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position.

### FINANCIAL OPERATIONS

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<th>Voting issue</th>
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<tr>
<td>Authority to issue shares or securities giving access to the capital</td>
<td>- The authority respects the “one share – one vote – one dividend” principle&lt;br&gt;- The authority is suitably justified and limited, in amount and duration (two years).&lt;br&gt;- The authority includes pre-emptive rights (or otherwise priority rights of at least 5 days), does not create significant imbalances between the different categories of shareholders, and avoid the dilution risk for current shareholders.</td>
<td>- All the share issue authorities exceeds 50% of issued share capital (to be reviewed on a case by case basis)</td>
<td>- The authority with pre-emptive rights exceeds 50% of issued share capital (to be reviewed on a case by case basis)&lt;br&gt;- The authority without pre-emptive rights and with priority rights or with a specific object exceeds 20% of issued share capital.&lt;br&gt;- The authority without pre-emptive rights and without priority rights exceeds 5% of issued share capital (to be reviewed on a case by case basis)&lt;br&gt;- The authority is likely to be used as an anti-take-over measure</td>
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<td>Share Repurchase Plan</td>
<td>- Share repurchase represents best use of company resources and is limited both in volume and duration</td>
<td>- The maximum upward and downward deviation exceeds 5% of the average market price over a representative period or 10% if the resolution refers to a day price.</td>
<td>- The authorization would be executable during a takeover period.&lt;br&gt;- The buyback exceeds 10% of the issued capital (including shares held by subsidiaries)&lt;br&gt;- Use of Financial derivatives for share repurchases.</td>
</tr>
<tr>
<td>Share issues reserved to employees</td>
<td>- The authority to issue share does not create significant imbalances between categories of shareholders</td>
<td>- Cumulative volume exceeds 10% of issued capital AND discount over 10% (to be reviewed on a case by case basis)</td>
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37 Exceptions from these guidelines may be granted if the board can give a compelling justification for an increase in excess of the guidelines.
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<th>Voting issue</th>
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<tr>
<td>Debt restructuring</td>
<td>• The level of dilution given the full conversion of securities is not excessive</td>
<td>• Dilution risk too high for the ownership interests of existing shareholders and to future earnings.</td>
<td>• The proposal would result in a change of control at the company.</td>
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<td>• Threat of bankruptcy, potential impact on shareholder value and if a bankruptcy is the main factor driving the restructuring.</td>
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<tr>
<td>Mergers and Acquisition</td>
<td>• The merger or acquisition makes commercial and strategic sense for the company</td>
<td>Given the complex nature of most merger and acquisition proposals, such issues will be reviewed on a case by case basis from a transparency, corporate governance as well as financial point of view. Issues that will be taken into account include:</td>
<td>• The impact of the merger on shareholder value</td>
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<td>• The proposal is beneficial to shareholders’ earnings stream and the impact on voting rights is not disproportionate</td>
<td>• The offer price i.e., cost vs. premium</td>
<td>• Financial viability of the combined companies as a single entity.</td>
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<td>• The combined company has a better governance structure</td>
<td>• An analysis of the arm’s length nature of the transaction, potential conflicts of interest and an assessment of the deal maker’s “good faith”</td>
<td>• The presence or lack of a fairness opinion.</td>
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<tr>
<td>Corporate Restructuring</td>
<td>• No conflicts of interest among the various parties</td>
<td>• Proposed changes in corporate governance and their impact on shareholder rights.</td>
<td>• Impact on community stakeholders and employees in both workforces</td>
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<td></td>
<td>• The restructuring does not create significant imbalances between categories of shareholders</td>
<td>• Shareholder value is being preserved.</td>
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<td>• Shareholder value is being preserved.</td>
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<td>Votes concerning corporate restructuring are considered non-routine and evaluated on a case by case basis. Issues that will be taken into account include:</td>
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<td>Spin-offs</td>
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<td>• Potential tax and regulatory advantages</td>
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<td>• Planned use of proceeds</td>
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<td>• Market focus and managerial incentives</td>
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<td>Asset Sales</td>
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<td>• Impact on the balance sheet and working capital</td>
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<td>• Value received for the asset and the potential elimination of diseconomies.</td>
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<td>Liquidations</td>
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<td>• Management’s efforts to pursue other alternatives</td>
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<td>• Appraisal value of the assets</td>
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<td>• The compensation plan for executives managing the liquidation.</td>
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</table>
### Appointments and Remuneration of Directors and executives

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<tr>
<th>Voting issue</th>
<th>For</th>
<th>Abstain</th>
<th>Against</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board elections</strong></td>
<td>• The Board of directors (or supervisory Board) is independent from management and represents the interests of majority and minority shareholders.</td>
<td>• The candidate is not independent[^38] and:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Specialized committees are composed of a majority of independent members with an independent chairman (The audit and the remuneration committees do not comprise an executive director)</td>
<td>- the board comprises less than 50% independent directors (non-controlled companies)</td>
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<td></td>
<td>• Candidates are proposed by an independent nomination committee for a mandate of 4 years maximum.</td>
<td>- the board comprises less than 33% independent directors (controlled companies or in cases of a board with significant compulsory employee representatives)</td>
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<td></td>
<td>• The board size is composed of less than 18 members.</td>
<td>• A lower threshold can be applied depending on local code and markets practices (i.e. Threshold of 20% for Japan)</td>
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<td></td>
<td>• The chairman and CEO roles are split and/or there is a sufficient counter-balancing structure.</td>
<td>• The director had a very low level of attendance. (Below 75%)</td>
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<td></td>
<td>• The director hold less than five director mandates in other listed companies; or three director mandates outside their group for executive directors.</td>
<td>• The director has failed to meet her/his fiduciary duties which raises doubts about her/his ability to serve the best interests of stakeholders</td>
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<td></td>
<td>• There is sufficient biographical information for shareholders to vote on an informed basis</td>
<td>• Shareholders can vote separately on the election of individual directors</td>
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<td>• Shareholders can vote separately on the election of individual directors</td>
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<tbody>
<tr>
<td><strong>Discharge of Board and Management</strong></td>
<td>• There is no contentious issue about the board or the management of the company.</td>
<td>• There are serious questions about actions of the board or management for the year in question.</td>
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<td>• Legal action is being taken against the board by other shareholders.</td>
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<tr>
<td></td>
<td></td>
<td>• The auditors made serious reservations about the financial statements or refused to certify the accounts.</td>
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<tr>
<td><strong>Director fees</strong></td>
<td>• Linked to the attendance of directors to Board and committees, and to the importance of carried out missions, and in line with benchmarks (based on country practices)</td>
<td>• Not linked to attendance</td>
<td></td>
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<tr>
<td></td>
<td>• Full disclosure of all remuneration components for each director serving on the board in order to vote in favor of a resolution approving remuneration. The different components making up the pay need to be identified and their respective policies explained. The pay should be transparent enough for shareholders to allow them to distinguish the remuneration of executives from that of non-executive directors.</td>
<td>• Not linked to attendance and deemed excessive</td>
<td></td>
</tr>
</tbody>
</table>

[^38]: Factors that may compromise independence include:
- To represent a significant shareholder
- To be an employee or corporate officer of the corporation, or an employee or director of its parent or a company that it consolidates, and not having been in such a position for the previous five years
- To be a chief executive officer of a company (B) if one of the following requirements is complied: The concerned company (A) is a legal entity directly or not directly director in the company (B); An employee of the company A is a director of the company B (current or less than 5 years); An executive of the company A is a director of the company B (current or less than 5 years);
- To be a customer, supplier, investment banker or commercial banker that is material for the corporation or its group, or a significant part of whose business the corporation or its group accounts
- To be a related by close family ties to a corporate officer
- To have been an auditor of the corporation within the previous five years
- To have been a director of the corporation for more than twelve years
<table>
<thead>
<tr>
<th>Remuneration of Executives directors</th>
<th>The remuneration scheme has been recommended by a remuneration committee composed of at least 50% independent members and does not comprise an executive director.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The remuneration schemes are in line with long term company performance (e.g. the remuneration committee has considered the impact of share repurchases undertaken during the previous year on relevant performance targets for incentive schemes)</td>
</tr>
<tr>
<td></td>
<td>The additional pension schemes respect the following principles: The beneficiary has a significant seniority within the group; is employed with the company at the time of retirement; his rights may only account for a reasonable limited percentage of the fixed compensation; the period taken into account for the calculation cover several years; the group of potential beneficiaries must be broader than the sole executive.</td>
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<tr>
<td></td>
<td>The company has an extra-financial performance oriented compensation policy</td>
</tr>
<tr>
<td></td>
<td>The remuneration scheme is disproportionate with regards to performance (e.g. based on share value and/or intrinsic value) and relevant peer group</td>
</tr>
<tr>
<td></td>
<td>The termination payments for executive directors or the Chairman of the Board may not exceed two years of compensation fixed and variable (stock options and other compensations are excluded)(^{39}). The termination payments must also be conditional on seniority criteria and explicit performance requirements.</td>
</tr>
<tr>
<td></td>
<td>The termination payments for an executive director or the Chairman of the Board who is taking his retirement.</td>
</tr>
</tbody>
</table>

NB. The proposed resolution is assessed in light of the experience and degree of independence of the remuneration committee.

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\(^{39}\) Case by case basis based on market practice (e.g. one year in UK and Netherlands)
### Voting issue

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Stock option Plans and free shares</td>
<td>• The stock option plan has been recommended by a remuneration committee composed of at least 50% independent members and does not comprise an executive director.</td>
<td>• Stock option plans that meet at least ONE of the following conditions:</td>
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<tr>
<td></td>
<td>• The stock option plan must be readable for shareholder, with specific and pre-established criteria (quantitative, simple, accurate and objective) and reassessed periodically.</td>
<td>- Cumulative volume of proposed and outstanding stock option plans and free shares exceeds 10% of issued capital including 3% maximum for corporate officers.</td>
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<td></td>
<td>• The stock option plan meets the following conditions:</td>
<td>- Volume of stock option plans per year exceeds 2.5% of issued capital.</td>
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<td></td>
<td>- No discount for executives</td>
<td>- Free shares distribution per year exceeds 1% of issued capital.</td>
</tr>
<tr>
<td></td>
<td>- Sum of vesting and holding periods at least 3 years</td>
<td>- Grants of stock options and free shares are not linked to the achievement of performance criteria.</td>
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<td></td>
<td>- Clear exercising objectives</td>
<td>- Possibility to re-test exercising conditions</td>
</tr>
<tr>
<td></td>
<td>• The authorities for executive directors are separated from those for employees. Otherwise, the stock options and the free shares allotted to executive directors are limited explicitly.</td>
<td>- Existence of a discount for executives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Sum of vesting and holding periods less than 3 years</td>
</tr>
<tr>
<td></td>
<td>NB. The proposed resolution is assessed in light of the existence and degree of independence of the remuneration committee.</td>
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</tbody>
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### Other Issues

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<tr>
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</thead>
<tbody>
<tr>
<td>Changes to Company Statutes</td>
<td>• By-laws that respect the “one share – one vote – one dividend” principle</td>
<td>• Resolutions that carry adverse impacts on shareholder rights (To be considered on a case-by-case basis in light of information provided by the company)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Multiple Voting Shares</td>
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<td>• Non-Voting Depository Receipts</td>
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<td>• Ownership ceiling</td>
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<td></td>
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<td>• Voting right ceiling</td>
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<td>• Priority shares</td>
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<td></td>
<td>• Golden share</td>
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<tr>
<td>Related-party Transactions and other Resolutions</td>
<td>• There is full disclosure of information relevant to the resolution and such information is presented in a fair and balanced way</td>
<td>• Insufficient disclosure of relevant information</td>
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<td></td>
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<td>• Resolution bundled together that include a substantial and unacceptable proposal</td>
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<td>• Blind resolutions</td>
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</tbody>
</table>

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40 To be reviewed on a case by case basis depending on historic burn rate
**Shareholder proposals**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>• Appropriate for general assembly</td>
<td>• Shareholding disclosure thresholds beyond 20 percent or below 1 percent of the share capital.</td>
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<td></td>
<td>• Alignment with shareholders long-term interests</td>
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<tr>
<td></td>
<td>• Resolutions introduce or facilitate legal proceedings to compensate shareholders for damage suffered by the company, to cancel resolutions of a general meeting, to cancel board decisions, and to appoint a provisional director or expert (control function)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Resolutions that help to improve social and environmental performance while contributing to the protection of long term shareholder value</td>
<td></td>
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</tbody>
</table>

Any other shareholder proposal: To be considered on a case-by-case basis in light of:

• Justification by its authors
• Board support or justification of opposition

Any item that is not covered by these guidelines will be voted on a case by case basis taking into account the BNP Paribas Asset Management key proxy voting principles.
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