TRANSPARENCY CODE
BNP PARIBAS EASY
Low Carbon 100 Europe PAB®

JAN 2021
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GENERAL DATA ON THE MANAGEMENT COMPANY

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

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

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

Sustainable investing is a strategic area of development for BNPP AM (BNP PARIBAS ASSET MANAGEMENT Holding SA and its subsidiaries¹), which has been committed for many years to integrating Environmental, Social and Governance (ESG²) issues in the management of investment solutions offered to its clients. Since 2006, BNPP AM has been a signatory of the United Nations Principles for Responsible Investment (UNPRI).

As part of our new Sustainable Investment Policy, launched in March 2019, we take into account Environmental, Social and Governance (ESG) criteria for all our investment decisions across our entire range. The integration of ESG criteria in the selection of the issuers in which we invest enables us to generate financial value for our clients over the long term and protect ourselves against the financial, operational and reputational risks associated with investing in companies known for their poor ESG practices.

In 2019, we also strengthened our investment philosophy with the implementation of “six convictions in sustainable investing”

1. ESG integration helps us achieve better risk-adjusted returns.
2. Investing sustainably is part of our fiduciary duty
3. Dialogue with companies is an opportunity but also a duty
4. We invest over the long term and for a sustainable future
5. A sustainable economy is based on sustainable investment practices
6. Applying Corporate Social Responsibility (CSR) practices in line with those we expect from issuers is crucial to achieving excellence

¹ The term “subsidiary” applies to any entity controlled directly or indirectly by BNP Paribas Asset Management Holding, and the term “control” is defined in Article L 233-3 of the French Commercial Code.
² Environmental, Social and Governance
For BNPP AM, sustainable investing is based on four pillars. Together, they contribute to the improvement of our management practices, particularly through new investment ideas, optimisation of the composition of our portfolios, risk control, and the exercise of our influence on the companies and markets in which we invest.

1. **ESG INTEGRATION**

Our analysts and managers systematically consider the most relevant ESG factors, regardless of the investment process. In accordance with BNPP AM's convictions, this approach allows them to identify risks and opportunities that other market participants may not be aware of, which gives them a comparative advantage.

The ESG integration process is guided by common formal principles and is overseen by an ESG Validation Committee. Our objective is to have each investment process - and by definition, each investment strategy - reviewed and approved by this committee between now and the end of 2020.

2. **VOTING, DIALOGUE AND ENGAGEMENT**

We invest carefully and have established detailed voting guidelines on a number of ESG issues. In addition, we believe that enhanced engagement with issuers can improve our investment processes and enable us to better manage long-term risks.

Our managers and experts at BNPP AM Sustainability Centre engage with the companies in which we invest, with the aim of encouraging them to adopt responsible and environmentally-friendly practices. In addition, we aim to meet with the public authorities frequently in order to discuss the means deployed in the fight against global warming.

BNPP AM's engagement policy is available at:  
[2019 Engagement Policy](Document in English)

BNPP AM's voting policy is available at:  
[2020 Voting Policy](Document in French)

3. **RESPONSIBLE BUSINESS CONDUCT AND SECTOR EXCLUSIONS**

BNPP AM applies ESG exclusions based on the 10 principles of the United Nations Global Compact for all its investments. The Global Compact, a universal framework for evaluating companies that is applicable to all industrial sectors, is based on international conventions on respect for human rights, labour rights, the environment and the fight against corruption.

This normative framework is complemented by the “Guidelines for Multinational Enterprises” written by the Organisation for Economic Co-operation and Development (OECD), “these guiding principles are recommendations addressed by governments to multinational enterprises in order to foster reasonable business conduct in the fields of professional relations, human rights, the environment, taxation, the publication of information, the fight against corruption, consumer interests, science and technology, and competition” (source: [www.oecd.org](http://www.oecd.org))

In addition to the principles of the United Nations Global Compact, BNPP AM applies specific ESG standards to companies operating in certain sensitive sectors in terms of social and environmental impacts. They are defined in sectoral policies that currently concern palm oil, pulp, coal, nuclear energy, mining, asbestos, agriculture and tobacco. Non-compliance with the ESG standards defined by BNPP AM leads to the exclusion of companies from the investment scope.

Finally, in accordance with regulations, certain areas such as controversial weapons (anti-personnel mines and cluster bombs) are prohibited from any investment.

BNPP AM's “Responsible Business Conduct” policy and its various components are available at:  
[Responsible Business Conduct Policy](Document in English)
4. A FORWARD-LOOKING VISION:

We believe that three key points underpin a more sustainable and inclusive economic system: energy transition, environmental protection and equality.

We have defined a set of objectives and developed performance indicators to measure how we will align our research, portfolios and engagement with companies and public authorities on these three issues, the “3Es”.

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

BNP Paribas Asset Manager’s responsible investor approach is formalised on its website.

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

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

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

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

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

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

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

The teams involved in the responsible investment activity are mainly located in the Sustainability Centre (25 people). This comprises:
- The engagement and voting policy team
- ESG research
- The team dedicated to solidarity finance
- ESG specialists
- CSR

In addition, BNPP AM has set up a network of “ESG Correspondents” within the various management teams. They are the primary information relays of the Sustainability Centre, both internally and externally. ESG training and certifications are made available to these employees.

A similar initiative was launched in 2020 within the sales and marketing teams.
**2F. HOW MANY SRI ANALYSTS AND SRI MANAGERS ARE EMPLOYED BY THE MANAGEMENT COMPANY?**

The ESG research team, headed by Gabriel Wilson-Otto, is made up of eight extra-financial analysts with specific sector and thematic coverage. Thanks to its experience and expertise, the team has developed a proprietary extra-financial rating for issuers, which enables it to generate a list of issuers eligible for investments, as well as a global ESG score list for all issuers. In order to strengthen the integration of ESG criteria across the company, extra-financial analysts also provide ESG research to BNPP AM's main global investment centres, so that they can integrate ESG elements as well as other asset classes and investment strategies.

Around thirty managers are involved on a daily basis in SRI funds, or about 20 full-time equivalents.

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

We work closely with leading bodies in the field of sustainable investment to promote best practices at the French, European and international level. Several members of the Sustainability Centre serve within various international responsible finance organisations.

This is the case for Jane Ambachtsheer and Mark Lewis, Global Head of ESG Research. Both are members of the TCFD Executive Committee - Task Force on Climate-related Financial Disclosures. This is a working group set up following COP 21 by the Financial Stability Board of the G20. The aim is to highlight financial transparency related to climate risks. The final report of this working group was made public on 29 June 2017.

At the European level, Helena Vines Fiestas is a member of the TEG (Technical Expert Group on Sustainable Finance), whose role was to assist the European Commission in the development of a “green” taxonomy. Today, within this same working group, Helena actively contributes to issues related to the future European “Eco Label”. She also represents BNPP AM on the EFAMA committee, is a member of the board of institutional investors on climate change (IIGCC) and sits on several other committees, including the Green Finance Advisory Group of the Sustainable Stock Exchange.

Below is a list of reference bodies in the field of sustainable investment of which BNP Paribas Asset Manager is a member:

- ACGA - Asian Corporate Governance Association (https://www.acga-asia.org/)
- AIGCC - Asia Investor Group on Climate Change (https://www.aigcc.net/)
- CDP - Carbon Disclosure Project (https://www.cdp.net/fr)
- CERES - Coalition for Environmentally Responsible Economies (https://www.ceres.org/)
- CII - Council of Institutional Investors (https://www.cii.org/)
- EFAMA - European Fund and Asset Management Association (http://www.efama.org)
- Eumedion - Group of Institutional Investors on Corporate Governance and sustainability performance
- European Commission / TEG (Green Taxonomy and Eco label working group) (https://ec.europa.eu)
- FIRM - Forum pour l'Investissement Responsable. (http://www.frenchsif.org)
- Hong Kong Green Finance Association (www.hkgreenfinance.org/)
- ICGN – International Corporate Governance Network (https://www.icgn.org/)
- IIGCC - International Investors Group on Climate Change (http://www.iigcc.org/)
- IMAS - Investment Management Association of Singapore (http://www.imas.org.sg/)
- MAAM - Malaysian Association of Asset Managers (https://maam.org.my/)
- PDC - Portfolio Decarbonization Coalition (http://unepfi.org/pdc)
- TCFD – Task force on Climate-related Financial Disclosures (https://www.fsb-tcfd.org/)
- UNPRI - United Nations-supported Principles for Responsible Investment (https://www.unpri.org/)

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

At the end of June 2020, our assets under management in SRI amounted to €68.4 billion.
2I. WHAT IS THE PERCENTAGE OF THE MANAGEMENT COMPANY'S SRI ASSETS RELATIVE TO TOTAL ASSETS UNDER MANAGEMENT?

At the end of June 2020, SRI assets accounted for around 15% of BNP Paribas Asset Management’s total assets under management.

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

The complete list of our SRI UCITS can be found in the Fund Search section of our country websites by selecting the “SRI” Indicator in the Type tab.

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

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

The “Enhanced ESG” approach includes, in particular, the “Best in Class” approach that targets companies and governments that demonstrate best social and environmental practices, while respecting good governance rules. Other strategies with a “Enhanced ESG” approach will integrate ESG criteria into the portfolio construction process, through a number of criteria, such as
- At least 20% increase in the portfolio’s ESG rating relative to its benchmark index
- Exclusion of 10% of stocks with the worst ESG rating (Decile 10)
- Normative and sector-based exclusion defined in BNP Paribas’ sector policies (question 3.C)

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

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

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

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

The BNP Paribas Easy Low Carbon 100 Europe ETF received the SRI label in January 2020.
It has been named BNP Paribas Easy Low Carbon 100 Europe PAB® since 15/12/2020, following the change in the methodology of the replicated index, taking into account the objectives set out in the Paris Climate Agreement (Paris Aligned Benchmark), in addition to the criteria already defined above.
The BNP Paribas Easy Low Carbon 100 Europe PAB® ETF is a listed index fund, commonly referred to as ETFs or tracker funds, which tracks the performance of the Low Carbon 100 Europe PAB® index. We will therefore describe the characteristics of the Low Carbon 100 Europe PAB® index in detail throughout this transparency code.
The objective of this fund is to support the energy transition by investing in a selection of 100 most virtuous European companies in their efforts to reduce their CO² emissions as well as “green” companies generating more than 50% of their revenue from low energy consumption technologies (renewable or efficient energies). This significantly reduces the carbon footprint of its investment compared to that of a traditional European equity universe.

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

The choice of the Low Carbon 100 Europe PAB® index is based on a rigorous analysis of the characteristics of the latter.
The product development, sales and management teams identify the needs of clients and the indices available on the market in this area and their ESG methodologies and data used. It is then a matter of selecting an index (a) that is sufficiently representative of an SRI philosophy, (b) whose methodology is systematic and (c) based on quality research, (d) that is liquid and diversified and also that respects BNP Paribas Asset Management's responsible investment philosophy. To do this, the product development and management teams verify the consistency of these indices and the quality of ESG research and rating at BNP Paribas Asset Management's Sustainability Centre department (this team is independent of product management and development).
On the carbon index theme, in 2008, BNP Paribas Asset Management selected the Low Carbon 100 Europe index developed by Euronext.
Euronext, as an index provider, compiles the ESG and carbon data provided by the following sources to select the 100 stocks of the Low Carbon 100 Europe PAB® index:

- VIEGO EIRIS: general data provider on social and governance criteria and compliance with the United Nations Global Compact
- CARBON4 CDP: data providers that specialise in the climate theme
- EXPERT COMMITTEE: group of academic representatives, NGOs and financial experts. Verifies that no company is exposed to ESG controversies and identifies companies that have a positive impact on the climate transition. Finally, it acts as independent supervisor of the index.
3C. WHAT ESG CRITERIA ARE TAKEN INTO ACCOUNT BY THE FUND(S)?

The ESG analysis of the Low Carbon 100 Europe PAB® index includes the following 7 criteria:
1. Social and governance criteria
2. United Nations Global Compact
3. Sensitive sectors and activities
4. ESG controversies
5. Climate rating
6. Green companies
7. The objectives of the Paris Aligned Benchmark (PAB)

1. Social and governance criteria

First, Vigeo-Eiris assigns a social rating and a governance rating for companies in the selection universe (300 largest market capitalisations of the Euronext Europe 500 Index) in order to exclude the worst 30.

The social rating includes all criteria relating to the company's social and societal impacts, in terms of:
- Internal Human Resources (for example, social dialogue, career management, health and safety policies)
- Respect for Human Rights (fundamental human rights, respect for privacy, personal security, property rights, etc.)
- Involvement in the community (promotion and contribution to local economic and social development, optimisation of the economic and social impact of the company's activities, development of voluntary initiatives and efforts to take into account the impact of the company's activity on the community, etc.)
- Customer relations (customer information, responsible relationships with customers, etc.)
- Sustainable relations with suppliers and integration of social factors into the company's supply chain (freedom of association, abolition of child labour and forced labour, non-discrimination policy, etc.)
- In some sectors, the social pillar also includes the company's management of product safety (for example, food companies are responsible for the safety of their products for consumers, as non-compliance with this principle may represent a health risk).

The governance rating includes:
- All criteria relating to the company's internal governance bodies and systems (namely the topics of the Board of Directors, internal audits and controls, shareholders, executive compensation)
- The company's behaviour in terms of professional ethics (prevention of corruption, prevention of anti-competitive practices, responsible lobbying, etc.).

2. United Nations Global Compact

Companies that do not comply (or are likely not to comply) or do not assume their fundamental responsibilities with respect to human rights, labour, the environment and the fight against corruption are excluded from the investment universe. For this purpose, Vigeo-Eiris refers to the Ten Principles of the United Nations Global Compact (UNGC). The latter invites business leaders to “adopt, support and enforce in their sphere of influence” a set of fundamental values in the areas of human rights, labour standards, the environment and the fight against corruption. The 10 Principles are inspired by the Universal Declaration of Human Rights, the ILO 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 are invited to promote and respect the protection of international human rights law in their sphere of influence; and
- Principle 2: ensure that their own companies are not complicit in human rights abuses.

Labour standards
- Principle 3: Businesses are invited to respect freedom of association and to recognise the right to collective bargaining;
- Principle 4: the elimination of all forms of forced or compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment
- Principle 7: Companies are invited to apply the precautionary approach to environmental problems;
- Principle 8: undertake initiatives aimed at promoting greater environmental responsibility; and
- Principle 9: promote the development and dissemination of environmentally friendly technologies.

Fight against corruption
- Principle 10: Businesses are invited to act against corruption in all its forms, including extortion and bribery.

3. Sensitive sectors and activities

In addition to the social, governance and principles of the United Nations Global Compact, exclusions are made in relation to sensitive sectors and activities. These policies are based in particular on applicable international conventions and regulations and on the CSR policies of the BNP Paribas Group.

These exclusions cover the following IBC sub-sectors: Tobacco (3785), Defence (2717) and Aerospace (2713).

The expert committee also considers companies whose activities are linked to fossil fuels. This includes companies with fossil fuel reserves, those whose activity derives from research, collecting, refining or transporting coal, oil or gas, and those using fossil fuels to produce electricity.

Finally, the Committee verifies that no company is classified as involved in the manufacture of controversial weapons such as cluster bombs, anti-personnel mines and anti-vehicle mines, depleted uranium weapons, biological and chemical weapons, blinding laser weapons, non-detectable fragments and incendiary weapons.

4. ESG controversies

In the event of serious controversies, the expert committee may decide to exclude certain companies. The grounds for the decision include controversies about environmental, social or corporate governance (ESG).

A controversy will be classified as serious according to several dimensions: the impact of the incident (gravity and magnitude), the level of recurrence of the incident, the level of responsibility of the company, the response of the company and the consequences of the incident.

5. Climate rating

The climate rating is calculated based on carbon data from Carbon 4 and CDP. It will be used to select the 85 companies (at least) with the best climate rating in each sector.

Carbon 4 rating
The Carbon 4 rating is used to assess a company’s impact on climate change and its contribution to reducing greenhouse gas emissions, taking into account the generated emissions (scope 1, 2 and 3), avoided emissions and forward-looking analysis.

Scope 1: direct emissions related to the manufacture of the product. For example, if the production of the product required the use of oil or fuel combustion or if the production of the product generated CO2 or methane emissions.

Scope 2: indirect emissions related to the energy consumption needed to manufacture the product. They are referred to as indirect emissions related to energy consumption.

Scope 3: other indirect emissions: other greenhouse gas emissions that are not directly linked to the manufacture of the product but to other stages of the product life cycle (supply, transport, use, end of life, etc.). For example, the extraction of these raw materials necessary for the production of a product, their processing and transport to the production plant. Similarly, the end of life of a product or its recycling also emit greenhouse gases.
**Emissions saved**
A company belonging to a carbon-intensive sector could significantly contribute to the reduction of emissions, perhaps by creating a product or process that consumes less energy. These emissions are therefore “virtual” emissions that would exist if the company did not actively reduce them. For example, a company producing glass wool allows for better insulation of buildings and reduces energy consumption and thus saves carbon emissions.

**Forward-looking analysis**
Such an assessment includes an analysis of R&D investments and spending that will help reduce carbon emissions, as well as an analysis of the company's positioning and strategy to combat global warming.

**CDP rating**
CDP is a global not-for-profit organisation that collects and gathers business data on key risks related to climate change, water and corporate forests. For the climate aspect, CDP provides companies with a questionnaire on their environmental performance. Respondent companies are evaluated at four consecutive levels:
1) quality of publications
2) awareness of this theme
3) management of environmental issues
4) leadership

6. **Green companies**
Once a year, the expert committee selects a list of up to 15 so-called “green” companies that contribute positively to the energy transition. At least 50% of their revenue must be derived from energy-efficient technologies (renewable or efficient energy), and they must be part of the following ICB sectors:
- Alternative Energy (580)
- Materials and Construction (2350)
- Electricity (7530)
- Electronic and electrical equipment (2730)
- Industrial engineering (2750)
- Industrial transport (2770)
These “Green” companies must also meet liquidity criteria: the company must be able to be sold within 5 days, and the daily volume of sales processed should not represent more than 30% of the average daily volume of the last 3 months.

7. **The objectives of the Paris Aligned Benchmark (PAB)**
As previously mentioned, the Low Carbon 100 Europe PAB® Index incorporates the objectives of the Paris Aligned Benchmark. Some of the PAB criteria are listed below:
- Reduction of carbon intensity compared to the initial investment universe: -50%
- Annual decarbonisation trajectory of the index: At least 7% annual carbon intensity reduction of the index
- Exposure to sectors with high climate challenges: The aim is to avoid “replacement” of carbon intensive sectors with low carbon-intensive sectors that would only have a very limited contribution to the fight against climate change. This constraint makes it possible to schematically reallocate from “brown” to “green”
- Exclusions: The PAB has climate exclusions on fossil fuels, with different thresholds given their carbon content. For electricity, the threshold comes from the European taxonomy defined by the same group of technical experts.

3D. WHAT PRINCIPLES AND CRITERIA RELATED TO CLIMATE CHANGE ARE TAKEN INTO ACCOUNT BY THE FUND(S)?

For the BNP Paribas Easy Low Carbon 100 Europe PAB® ETF, the main ESG risks are addressed via the minimum ESG standards developed above in part 3C. Companies that do not meet these requirements are considered at risk and are excluded from the investment scope of the Low Carbon 100 Europe PAB® index.

On the other hand, companies whose activity is linked to fossil fuels are also excluded from the selection. This includes companies with fossil fuel reserves, those whose activity derives from research, collecting, refining or transporting coal, oil or gas, and those using fossil fuels to produce electricity.

The climate dimension is also taken into account thanks to the climate rating used to assess each company’s impact on climate change and their contribution to reducing greenhouse gas emissions.

In addition, the identification of “green” companies contributing positively to the energy transition and their overweighting in the final selection of the Low Carbon 100 Europe PAB® index reflects a desire to take into account the 2°C scenario in which they have a dominant position.

And the index’s commitment to meeting the objectives of the PAB is an additional factor in taking climate risks into account.

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

As seen in 3.C, the Low Carbon 100 Europe PAB Index is built on several ESG indicators. Each indicator is calculated by an ESG data provider (Vigeo-Eiris, Carbon 4, CDP and the expert committee) and compiled by Euronext to select securities from a European universe of large caps.

The different selection steps are summarised in the chart below:
1. EXCLUSIONS

The first step consists of using several ESG filters described in section 3.C on the universe of the 300 largest market capitalisations of the Euronext® Europe 500 index:
- Exclusion of 30 companies with the worst social and governance ratings
- Exclusion of companies that do not comply with or may not comply with the United Nations Global Compact
- Exclusion of companies in the ICB Tobacco, Defence and Aerospace sub-sectors
- Exclusion of fossil fuel-related companies
- Exclusion of companies with ESG controversies or linked to controversial weapons

2. SELECTION OF THE 100 COMPANIES OF THE LOW CARBON 100 EUROPE PAB® INDEX

Breakdown between the green companies pocket and the "non-green" pocket (preliminary weight):
- Weighting of the green pocket: up to 5%
- Weighting of the non-green pocket: 100% - Weight of the green pocket

Companies with the highest climate rating
The next step is to select companies from the minimum non-green pocket in the universe after filtering out SG exclusions based on their climate rating. This climate rating detailed in 3.C uses the carbon score of Carbon 4 on a scale of 1 to 5 (1 - excellent; 5 - very bad) and CDP on a scale from A to D-(A - excellent; D- very bad) based on a bonus/malus system detailed below.
<table>
<thead>
<tr>
<th>CDP rating</th>
<th>Bonus (-) / Malus applied to the Carbon4 rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>-0.5</td>
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<tr>
<td>D</td>
<td>0.3</td>
</tr>
<tr>
<td>D-</td>
<td>0.4</td>
</tr>
<tr>
<td>AQ answered the questionnaire but no rating awarded (frequently due to a late response)</td>
<td>0.4</td>
</tr>
<tr>
<td>F insufficient data provided</td>
<td>0.5</td>
</tr>
<tr>
<td>Company refused to reply to the questionnaire</td>
<td>0.5</td>
</tr>
</tbody>
</table>

For example, a company with a Carbon 4 rating of 2 and CDP of A- (equivalent to a bonus of -0.4) will have a final climate rating of 1.6

**“Green” companies**

The “Green” companies described in Section 3.C are selected annually by the expert committee from among the 1000 largest European market capitalisations. The BNP Paribas Easy Low Carbon 100 Europe® ETF’s philosophy is to give more emphasis to players that contribute positively to the energy transition, not necessarily depending on their size.

Companies with the highest climate rating and “Green” companies thus represent the 100 constituents of the Low Carbon 100 Europe PAB® index

4. **WEIGHTING**

Each year, the expert committee defines the total weight of “green” companies in the Low Carbon 100 Europe PAB® index based on various criteria such as: the number of “green” companies meeting the criteria defined in 3. C, their free float market capitalisation and their average daily traded value. The weight of “Green” companies is currently set at 5% to target a trajectory close to the 2°C scenario.

In the Low Carbon 100 Europe PAB® index, the weight of companies with the highest climate rating is 95% (100% - “Green” companies at 5%) and uses the same sector representativeness as that of the investment universe after filtering out ESG exclusions.

The weight of eligible securities is then adjusted by successive iteration in order to meet the decarbonisation criteria of the PAB.

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

The expert committee is responsible for reviewing the composition of the index annually, effective after the third Friday of December and half-yearly in June in case of controversy or following an exceptional revision of the methodology.

**MANAGEMENT PROCESS**

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

Companies with the 30 worst social and governance ratings of Vigeo-Eris are therefore not eligible for investment, as well as companies that do not comply with (or may not comply) with the United Nations Global Compact. The same applies to companies involved in the manufacture of controversial weapons and fossil fuels, as well as the tobacco, defence and aerospace sectors. In addition to this, there are exclusions on ESG controversies defined by the expert committee.
In addition, the index is constructed using a best-in-class climate approach, based on the climate ratings of Carbon 4 and CDP, while integrating the objectives of the PAB.

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

As indicated in question 3.E, the companies that make up the Low Carbon 100 Europe PAB® index are either selected based on their climate rating or by their qualification as “Green” and therefore contribute positively to the energy transition. The incorporation of PAB criteria is also an element that takes climate change into account. In addition, companies that do not meet the ESG criteria detailed in Section 3C are considered to be an ESG risk and are excluded from the investment universe.

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

All of the portfolio constituents of the BNP Paribas Easy Low Carbon 100 Europe PAB® ETF undergo ESG analysis.

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

The Low Carbon 100 Europe PAB® Index has evolved since its creation in 2008 to meet investor demands and incorporate new ESG data that was previously unavailable or unreliable. In December 2018, the fossil fuel filter was added, and in June 2019 the filter relating to social and governance ratings and compliance with the United Nations Global Compact was added. In 2020, the methodology evolved to take PAB criteria into account.

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

The BNP Paribas Easy Low Carbon 100 Europe PAB® ETF is not invested in solidarity-based organisations.

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

The BNP Paribas Easy Low Carbon 100 Europe PAB® ETF does not carry out securities lending/borrowing transactions in accordance with the prospectus.

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

The BNP Paribas Easy Low Carbon 100 Europe PAB® ETF is not designed to use derivatives to gain exposure to the market. However, in order to ensure the liquidity of index funds on a daily basis and minimise transaction costs, the management team uses listed derivatives on an ancillary basis (less than 1% of assets under management).

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

The BNP Paribas Easy Low Carbon 100 Europe PAB® ETF does not invest in UCIs.
ESG CONTROLS

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

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

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

ESG IMPACT MEASURES & REPORTING

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

The ESG quality of the funds is assessed against the impact indicators (see question 6B) and by comparing the fund to its benchmark, here the MSCI Europe.

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

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

- The average decile of the portfolio shows that the portfolio is invested in securities with better environmental, social and governance practices than its benchmark index.
- For the environmental aspect, carbon intensity is used to compare the level of CO2 emissions between the portfolio and that of the benchmark index.
- For the social aspect, the portfolio's exposure to social controversies is compared to that of the benchmark index.
- The exclusion of securities deemed to be non-compliant with BNP Paribas Asset Management's Socially Responsible Investment policy and the signing of the United Nations Compact by the portfolio companies give us an indicator on Human Rights.
- For the governance component, we compare the average of the governance ratings according to the methodology developed by BNPP AM's ESG research team to that of its benchmark index.
- The exercise of voting rights provides insight into the support provided, or not, to the draft resolutions presented at the general meetings of the companies in which the portfolio is invested.

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

Promoting SRI to our clients mainly involves:

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

This information is available on our website: www.easy.bnpparibas.com
6D. DOES THE MANAGEMENT COMPANY PUBLISH THE RESULTS OF ITS VOTING POLICY AND ITS ENGAGEMENT POLICY?

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

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

Past performance is not an indicator of future returns.
Appendix 1: The fundamentals of the Carbon 4 carbon accounting

Taking into account Scope 1, 2 and 3 emissions is the only way to fully understand climate change issues.
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