

## Sustainability related disclosures

*Capitalised terms used but not defined herein shall have the meanings set forth in the Fund's supplement.*

Product name: FINECO AM MSCI USD HY SRI SUSTAINABLE CORPORATE BOND UCITS ETF

Legal entity identifier: 2549001UELK8FPXCN712

### ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input type="radio"/> Yes	<input type="radio"/> <input checked="" type="radio"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input checked="" type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 15% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments

#### A. Summary

This financial product (the "Fund") promotes environmental or social characteristics, but does not have as its objective sustainable investment. Any further information regarding the sustainable investment of this financial product are indicated in the below section "No sustainable investment objective".

All of the information concerning the binding elements of the investment strategy and the good governance policies are indicated in the below section "Investment strategy".

The minimum proportion of investments used to meet the environmental or social characteristics promoted by the Fund has been set at the level of the minimum proportion of Sustainable Investments and is equal to 15%. The monitoring of environmental or social

characteristics for the Sub-Fund is ensured through a dedicated two-layers control framework.

The Investment Manager's internal guidelines have been defined and implemented to classify products under article 8 (promotion of environmental and/or social characteristics) of SFDR.

The classification entails the follow-up of sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product.

On one hand, investment teams carried out daily controls within Front Office systems to ensure that the features attached to article 8 sustainability indicators are follow-up at any time.

On the other hand, independent risk function also performs second level of controls on a daily basis to spot any breach which are dealt with under an escalation procedure.

All the methodologies used to measure how the social or environmental characteristics promoted by the financial product are met are indicated in the below section "Methodologies for environmental or social characteristics".

Any information relating to data sources used to attain each of the environmental or social characteristics promoted by the financial product, the measures taken to ensure data quality, how data are processed and the proportion of data that are estimated can be used in the below section "Data sources and processing".

Any limitation to the methodologies and data sources referred above and how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met can be found in the section "Limitations to methodologies and data".

For passively managed products BNP Paribas Asset Management (BNPP AM) performs due diligence on the index methodology and ESG research.

Independent controls are also carried out by the Risk function of BNPP AM to identify any potential breach which would be remedied following an escalation process. Any further information describing the due diligence carried out on the underlying assets of the financial product can be found in the below section "Due Diligence".

Any information regarding the engagement policies implemented by this financial product can be found in the below section "Engagement policies".

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product.

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## **B. No sustainable Investment Objective**

The Fund promotes environmental or social characteristics, but does not have as its objective a sustainable investment.

### **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The objectives of the sustainable investments made by the Fund are to finance companies that contribute to environmental and/or social objectives through their products and services, as well as their sustainable practices.

The Manager is using, as of the date of this document, the Investment Manager's internal methodology to determine sustainable investments. Such methodology integrates several criteria into its definition of sustainable investments that are considered to be core components to qualify a company as sustainable. These criteria are complementary to each other. In practice, a company must meet at least one of the criteria described below in order to be considered as contributing to an environmental or social objective:

1. A company with an economic activity aligned with the EU Taxonomy objectives;
2. A company with an economic activity contributing to one or more United Nations Sustainable Development goals (UN SDG) targets;
3. A company operating in high GHG emission sector that is transitioning its business model to align with the objective of maintaining the global temperature rise below 1.5°C;
4. A company with best-in-class environmental or social practices compared to its peers within the relevant sector and geographical region.

Green bonds, social bonds and sustainability bonds issued to support specific environmental and/or social projects are also qualified as sustainable investments provided that these debt securities receive an investment recommendation "POSITIVE" or "NEUTRAL" from the Investment Manager's ESG research and analysis department, i.e. the "Sustainability Centre", following the issuer and underlying project assessment based on a proprietary Green/Social/Sustainability Bond Assessment methodology.

Companies identified as a sustainable investment should not significantly harm any other environmental or social objectives (the Do No Significant Harm "DNSH" principle) and should follow good governance practices. The Investment Manager uses its proprietary methodology and/or relies on information provided by the reference benchmark administrator to assess all companies against these requirements.

More information on the internal methodology can be found on the website of the Investment Manager: [Sustainability documents - BNPP AM Corporate English \(bnpparibas-am.com\)](https://www.bnpparibas-am.com).

### **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Sustainable investments that the Fund partially intends to make should not significantly harm any environmental or social objective (DNSH principle). In this respect, for such sustainable investments, the Investment Manager commits to consider principal adverse impacts on sustainability factors by taking into account indicators for adverse impacts as defined in SFDR, and to not invest in companies that do not meet their fundamental obligations in line with the OECD Guidelines and the UN Guiding Principles on Business and Human Rights.

**How does this financial product take into account principal adverse impacts on sustainability factors?**

How indicators for adverse impacts on sustainability factors are taken into account depends on the ESG methodology of the reference benchmark tracked by the Fund and used for the purpose of attaining the environmental or social characteristics promoted by the Fund.

The Investment Manager ensures that throughout its investment process, the Fund takes into account principal adverse impact indicators by analysing within the investment process those indicators in respect of the sustainable investment pillars defined in the Investment Manager Global Sustainability Strategy (GSS) and as further detailed below in this document and/or by relying on the ESG methodology and disclosures of the reference benchmark administrator.

**Are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

The sustainable investments of the Fund exclude issuers that are in violation or at risk of violation of the UN Global Compact Principles, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business & Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. This assessment is conducted within the Investment Manager's Sustainability Centre on the basis of internal analysis and information provided by external experts, and in consultation with BNP Paribas Group CSR Team.

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**C. Environmental or social characteristics promoted by this financial product**

**What are the environmental or social characteristics promoted by this financial product?**

The Fund promotes environmental and social characteristics by assessing underlying investments against Environmental, Social, and Governance (ESG) criteria using the methodology of the index provider. As such, the Fund is exposed to issuers that demonstrate superior or improve environmental and social practices, while implementing robust corporate governance practices within.

The Fund aims to improve its ESG profile compared to its investment universe.

The ESG performance of an issuer is evaluated against a combination of environmental, social and governance factors which include but not limited to:

- o Environmental: energy efficiency, reduction of emissions of greenhouse gases (GHG), treatment of waste;
- o Social: respect of human rights and workers' rights, human resources management (workers' health and safety, diversity);
- o Governance: Board of Directors independence, managers' remuneration, respect of minority shareholders rights.

The exclusion criteria are applied with regard to issuers that are in violation of international norms and convention, or operate in sensitive sectors as defined by external data providers.

The MSCI USD HY SRI Sustainable Corporate Bond Index, administrated by MSCI Limited, has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Fund.

#### **D. The Investment Strategy**

##### **What investment strategy does this financial product follow and how is the strategy implemented in the investment process on a continuous basis?**

The investment objective of the Fund is to achieve long term capital appreciation.

The Fund seeks to achieve its investment objective by tracking the performance of the MSCI USD HY SRI Sustainable Corporate Bond Index while minimising as far as possible the tracking error between the Fund's performance and that of this index.

The index is a fixed-rate, high-yield corporate bond benchmark that includes issuers with MSCI ESG Ratings of BBB or higher, and excludes issuers that are involved in business activities that are restricted according to pre-defined Business Involvement Screens. Issuers are screened for levels of involvement expressed in terms of % of associated revenue and may relate to activities pertaining to adult entertainment, alcohol, gambling, tobacco, conventional weapons, civilian firearms, nuclear weapons, controversial weapons, nuclear power, thermal coal, fossil fuels and genetically modified organisms.

The elements of the investment strategy to attain the environmental or social characteristics promoted by this Fund as described below are systematically integrated throughout the investment process.

##### **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

- The Fund shall comply with the reference benchmark minimum ESG rating standards and controversial business involvement exclusion criteria.

- The Fund shall have at least 90% of its investment strategy underlying securities covered by the ESG analysis based on the index provider methodology.
- The Fund should invest a proportion of its assets in “sustainable investments” as defined in Article 2 (17) of SFDR and as disclosed in the asset allocation below.

There is no guarantee that extra-financial filter or criteria is applied at any moment. For instance, between two index reshuffles, if a company were deemed to not fulfil anymore an ESG criteria, it may be excluded only at the next reshuffle following the index provider rules.

### **What is the policy to assess good governance practices of the investee companies?**

The reference benchmark ESG scoring framework assesses corporate governance such as sound management structures, employee relations, remuneration of staff and tax compliance through a core set of standard key performance indicators that look especially at board, pay, ownership and control, and accounting practices.

Further information on the reference benchmark, its composition, calculation and rules for periodical review and rebalancing and on the general methodology behind the MSCI indices can be found on [www.msci.com](http://www.msci.com).

### **Is there a commitment to reduce by a minimum rate the scope of investments considered prior to the application of the strategy? (Including an indication of the rate)**

The Fund does not commit to a minimum rate of reduction of the scope of investments prior to the application of its investment strategy.

### **Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

No

Yes, the Fund considers principal adverse impacts on sustainability factors. In order for the Investment Manager to determine which PAI is considered and addressed or mitigated, ESG methodology and disclosures of the reference benchmark and/or the index provider are used.

The policy framework in order to analyse how principle adverse impacts are considered for the Fund mainly relies on both of the following pillars:

- 1- Analysis of the embedded exclusion process of the reference benchmark, leading the investment strategy to remove industries and behaviours that present a high risk of adverse impacts in violation of international norms and conventions and issuers that are involved in activities presenting an unacceptable risk to society and/or the environment;
- 2- How the ESG ratings used throughout the investment process include in their methodology consideration of principal adverse impacts on sustainability factors, and to what extent those ratings are used in the investment strategy;

More detailed information on the manner in which the Investment Manager considers principal adverse impacts of investment decisions on sustainability factors taking due account of the size, the nature and scale of its activities and the types of financial products managed can be found in the Investment Manager’s SFDR disclosure statement: [sustainability risk integration and Principal Adverse Impacts considerations](#).

In addition, information on how the principal adverse impacts on sustainability factors have been considered over the year will be available in the annual report of the Fund.

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## E. Proportion of Investments

### What is the planned asset allocation for this financial product?

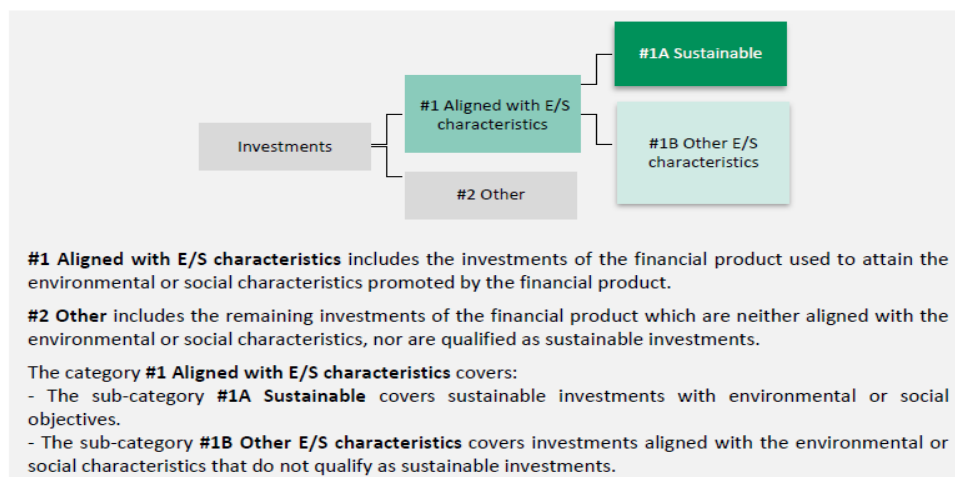
The investments used to meet the environmental or social characteristics promoted by the Fund in accordance with the binding elements of its investment strategy represent the proportion of assets with either

- 1) a positive ESG score and either a positive E score or a positive S score or
- 2) being Sustainable Investments according to the Investment Manager’s ESG proprietary methodology.

However, the minimum proportion of investments used to meet the environmental or social characteristics promoted by the Fund has been set at the level of the minimum proportion of Sustainable Investments and is equal to 15%. For the avoidance of doubt, such a proportion is solely a minimum commitment and the real percentage of the investments of the Fund that attained the promoted environmental or social characteristics will be available in the annual report.

The minimum proportion of sustainable investments of the Fund is 15%.

The remaining proportion of the investments is mainly used as described below.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

**How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Financial derivative instruments may be used for efficient portfolio management and hedging purposes. These instruments are not used to attain the environmental or social characteristics promoted by the Fund.

**What is the minimum share of investments with an environmental objective aligned with the EU Taxonomy? (including what methodology is used for the calculation of the alignment with the EU Taxonomy and why; and what the minimum share of transitional and enabling activities)**

The extent to which sustainable investments with an environmental objective are aligned with the EU Taxonomy and that contribute to the environmental objectives climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and/or the protection and restoration of biodiversity and ecosystems are disclosed in the two graphs below. Even if the investment objective of the Fund falls within the framework of the environmental objectives defined by the Taxonomy Regulation, all the economic activities related to this objective are not necessarily covered by the latter.

In addition, taxonomy alignment data is still not yet communicated or published and the activities of certain issuers require additional fundamental analysis in order to be accounted for and are therefore not taken into account by the taxonomy data that we use.

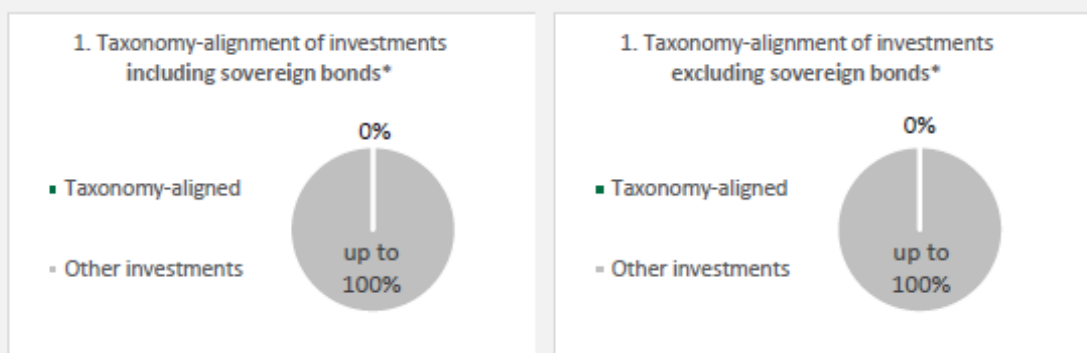
The Investment Manager is currently improving its Taxonomy-alignment data collection to ensure the accuracy and suitability of its Taxonomy sustainability-related disclosures. Further subsequent prospectus updates will be made accordingly.

Economic activities that are not recognised by the Taxonomy Regulation are not necessarily environmentally harmful or unsustainable. In addition, all activities that can make a substantial contribution to environmental as well as social objectives are not yet part of the



## Taxonomy Regulation.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

### **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 0%.

The investment strategy of the Fund is not to prevent investments in taxonomy-aligned activities. As such, the commitment within the Fund to invest in activities not aligned with the EU Taxonomy is minimal.

### **What is the minimum share of socially sustainable investments?**

The minimum share of socially sustainable investments within the Fund is 0%.

### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The remaining proportion of the investments may include the proportion of assets that do not attain the following standards established by the Investment Manager: 1) a positive ESG score and either a positive E score or a positive S score or 2) being Sustainable Investment according to the Investment Manager's ESG proprietary methodology or instruments which are mainly used for liquidity, efficient portfolio management, and/or hedging purposes.

Those investments are made in compliance with the Investment Manager's internal processes, including the risk management policy and the Investment Manager's Responsible Business Conduct policy when applicable as minimum environmental or social safeguards. The risk management policy comprises procedures as are necessary to enable the

management company to assess for each financial product it manages the exposure of that product to market, liquidity, sustainability and counterparty risks.

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## **F. Monitoring of environmental or social characteristics**

### **What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by this financial product?**

The following sustainability indicators are used to measure the attainment of the environmental and social characteristics promoted by the Fund, and are based on the reference benchmark ESG methodology:

- The percentage of the Fund's portfolio compliant with the reference benchmark minimum ESG ratings standards and controversial business involvement exclusion criteria;
- The percentage of the Fund's assets covered by the ESG analysis based on the index provider ESG methodology;
- The percentage of the Fund's portfolio invested in "sustainable investments" as defined in Article 2 (17) of SFDR.

### **How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?**

The monitoring of environmental or social characteristics for article 8 products is ensured through a dedicated two-layers control framework.

BNP's internal guidelines have been defined and implemented to classify products under article 8 (promotion of environmental and/or social characteristics) of SFDR.

The classification of products in these two categories entails the follow-up of sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product.

On the one hand, investment teams carried out daily controls within Front Office systems to ensure that the features attached to article 8 sustainability indicators are followed-up at all times.

On the other hand, independent risk function also performs second level of controls on a daily basis to spot any breach which are dealt with under an escalation procedure.

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## **G. Methodologies**

## **What is the methodology to measure the attainment of the environmental or social characteristics promoted by the financial product using the sustainability indicators?**

BNPP AM is working towards a world where all investing is responsible: investing responsibly is not just about embracing the social values and global concerns the company shares with its clients, it is about investing in a brighter future that delivers long-term rewards for both its clients and future generations.

BNPP AM acknowledges the importance of its role in representing the interests of its clients to the management teams of the companies in which they invest. Being long-term investors enables the development of productive relationships, allowing scope to engage on the issues that are most relevant to the Investment Manager's investment cases.

In 2019, the Investment Manager has enhanced its investment philosophy with the development of a set of six investment beliefs focused on sustainability:

### 1. BNPP AM are long-term, forward-looking investors:

The Investment Manager analyse the past in order to better anticipate future developments while considering the economic model which will best serve BNPP AM in the long term – one focused on low-carbon, sustainable and inclusive growth.

### 2. BNPP AM's fiduciary duty is aligned with sustainable investment:

BNPP AM have a duty to their clients to make well-informed investment decisions, taking reputational, operational and financial risks into careful consideration. ESG factors are a key element of this.

### 3. Stewardship is an opportunity and an obligation:

As long-term investors, BNPP AM believe that they should use stewardship (which encompasses proxy voting, company engagement and policy advocacy), to influence companies and the world for the better. They believe that engagement is generally more effective than exclusion – although divestment can be a last resort.

### 4. ESG integration helps achieve better risk-adjusted returns:

Sustainability is a long-term driver of investment risks and returns. BNPP AM believe sustainability is imperfectly understood, under-researched and inefficiently priced, with inconsistent levels of disclosure.

Against this background, BNPP AM will make better investment decisions through systematically and explicitly integrating ESG factors into investment analysis and decision-making.

### 5. A sustainable economic future relies on sustainable investment practices:

The way BNPP AM invest and engage with companies and regulators can help shape the world around us. Managing ESG risks will help promote greater market stability and more sustainable long-term growth while delivering the same, or better, financial returns.

6. Walking the talk is critical to achieving excellence:

As a sustainable asset manager, the Investment Manager's corporate practices and disclosures should match or exceed the standards BNPP AM expect from the entities in which they invest. That is why this is a priority. BNPP AM are exploring how they can integrate sustainability considerations more fully across all aspects of their business, from how they manage both energy use and waste disposal at their facilities, to gender equality within BNPP AM's workforce, and by providing ample time and opportunity for their employees to engage in volunteer work.

The components of BNPP AM's sustainability approach:

In a fast changing world, BNPP AM's focus is on achieving long-term sustainable returns for clients. In line with this, BNPP AM is committed to integrating sustainability matters across as many strategies as possible.

The BNPP AM 'Global Sustainability Strategy' details the approach to sustainability, setting clear objectives and commitments, and focusing on three key sustainability themes: Energy transition, the Environment and Equality and inclusive growth (the '3Es').

It reinforces the commitment to invest for the long term, engage with companies and regulators to promote best practice, and raise awareness of the role that finance can play in achieving a sustainable world.

The strategy to improve sustainability is built on six pillars, four of which are systematically implemented across BNPP AM'S investment strategies. This approach strengthens the way they invest, including how they generate investment ideas, construct optimal portfolios, control for risk and use their influence with companies and markets. It is designed to respond to the diverse needs of a broad client base while protecting their interests.

The six pillars of BNPP AM's approach:

#### 1. ESG integration

BNPP AM integrate ESG factors throughout their investment processes. From investment philosophy, research and idea generation, to portfolio construction and risk management, as well as engagement, voting, disclosure and reporting.

Examples of guidelines include, but are not limited to:

BNPP AM will not invest in a public entity without an ESG score, or performing qualitative ESG analysis in the absence of an ESG rating;

BNPP AM should aim to hold portfolios with more positive ESG characteristics than their respective investment universe;

As a last resort, BNPP AM may divest from weakly rated entities which do not respond to engagement, and which show no sign that they will place greater emphasis on sustainability considerations in the future;

Holdings of weakly-rated public entities will need to be justified by additional documented qualitative analysis integrating ESG factors;

Some of BNPP AM's financial product should aim to have a lower carbon footprint than their respective investment universe.

## 2. Stewardship

BNPP AM are committed to their role as an efficient and diligent steward of the assets their clients entrust them with, and since 2012, they have engaged with the companies they invest in on ESG factors, adopting best practices and greater transparency.

BNPP AM are thoughtful and diligent investors in companies, and have detailed proxy-voting and engagement guidelines on a range of ESG issues.

BNPP AM have three Heads of Stewardship & Engagement roles, for EMEA, the Americas and the Asia Pacific region, who lead their stewardship activities in these regions, including direct corporate engagement and proxy voting, working with policymakers on key issues relating to sustainable finance and investment, and representing BNPP AM in regional ESG investor networks.

Collective engagements:

Recognising that there is a real opportunity to make a difference by sharing knowledge and resources, BNPP AM participates with the wider investment community in a number of ways. For instance, BNPP AM have worked alongside other global investors and publicly supported a series of statements and pledges. BNPP AM also promotes the efficient management of environmental issues, proposing innovative ideas to leading policy makers and contributing to the development of impact investing.

BNPP AM are committed to promoting ESG on an industry-wide scale through the organisation of, or participation in, sustainable investment forums worldwide, and the publication of articles and dedicated newsletters, for instance on BNPP AM's ViewPoint website. In terms of ESG initiatives, BNPP AM currently participate in over 40 collective engagement initiatives.

Individual engagements:

Creating a dialogue with the companies BNPP AM invest in provides them with another opportunity to foster environmentally responsible practices. In particular, BNPP AM strive to engage with the companies they consider being at risk because their practices or strategy might undermine their ability to perform well financially due to their exposure to climate change risks. For example, BNPP AM's engagement strategy aims to improve companies' carbon disclosure, their overall environmental performance, and their understanding of what actions companies are taking to align themselves with the goal of a well below 2°C scenario.

### 3. Responsible business conduct expectations and product-based exclusions

BNPP AM expect companies to meet their fundamental obligations in the areas of human and labour rights, protecting the environment and ensuring anti-corruption safeguards, wherever they operate, in line with the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. BNPP AM engage with companies where they fall short, excluding the worst offenders from BNPP AM's investment universe.

BNPP AM have a series of sector policies that set out the conditions for investing in particular sectors, guiding BNPP AM's screening requirements and engagement.

BNPP AM have another set of policies that commit them to exclude particular sectors or activities (tobacco, unconventional oil and gas, coal, controversial weapons or asbestos), as BNPP AM deem them to be in violation of international norms, or to present unacceptable harm to society or the environment, without counterbalancing benefits. These are generally sectors where engagement makes little sense, as creating real impact is likely to be impossible.

BNPP AM's full approach is documented in their RBC Policy (Responsible Business Conduct Policy), available on their website: Sustainability documents - BNPP AM Corporate English (bnpparibas-am.com)

### 4. Forward-looking perspective - the 3E's

BNPP AM have identified three critical pre-conditions for a more sustainable and inclusive economic system:

Energy transition to a low carbon economy;

Environmental sustainability;

Equality and inclusive growth.

Together, these '3Es' represent the pathway to the economic sustainability that enables us, as investors, to safeguard long-term returns.

In considering their approach to these challenging topics, BNPP AM have a range of tools at hand. These include investment, divestment, stewardship and integration:

BNPP AM can invest in the companies and sectors that are part of the solution, encouraging their growth and benefiting from their success through BNPP AM's allocation of capital.

BNPP AM can divest from those companies that BNPP AM believe are at risk from inevitable structural changes, and whose behaviour is too much at variance with BNPP AM's own beliefs and investor preferences.

BNPP AM can exercise investor stewardship – through BNPP AM's proxy voting and engagement activity with companies – and via BNPP AM's discussions with policymakers, regulators and governments.

BNPP AM integrate their knowledge and perspectives on the '3Es' into investment processes across asset classes. This optimises BNPP AM's ability to make well-informed decisions – particularly in a world with imperfect information and varied levels of knowledge – thus helping to protect and enhance investment outcomes for clients.

Together, these steps allow BNPP AM to optimise their portfolio-level decisions, help shape the debate and align BNPP AM's total investments with the economy of the future. To guide BNPP AM's actions over the coming years, BNPP AM have identified a set of targets and key performance indicators for each of the '3Es'. Recognising the importance of getting these aspects right, in most cases BNPP AM take a staged approach to establishing them – measuring first BNPP AM's exposure before committing to targets.

The selection of sub-themes, targets and KPIs described below is the result of a combination of factors. The areas BNPP AM have selected are those where BNPP AM believe BNPP AM can have the biggest impact and apply more leverage to foster change, but also where there are enough data and tools to act, monitor and report.

BNPP AM report on their approach annually in their sustainability report available on Sustainability documents - BNPP AM Corporate English ([bnpparibas-am.com](https://bnpparibas-am.com)).

For further information on BNPP AM's sustainability roadmap, please refer to their Global Sustainability Strategy on their website.

#### ESG SCORING PROCESS:

In this framework, BNPP AM scores more than 13 000 issuers of securities using a four-step process. The scores are made available internally to facilitate ESG integration, investment stewardship and more.

#### 1- ESG metric selection and weighting

To arrive at ESG scores that provide useful insights, BNPP AM select metrics using three criteria:

- **Materiality:** BNPP AM reward companies that score highly on ESG issues that are material to their business, based on the expertise from BNPP AM's Sustainability Centre as well as frameworks such as SASB and empirical studies.
- **Measurability and insight:** BNPP AM prefer insightful performance metrics over policies or programs.
- **Data quality and availability:** BNPP AM favour metrics for which data is of reasonable quality and readily available so that BNPP AM can compare issuers fairly. BNPP AM use numerous research inputs and data sources (e.g. Sustainalytics, ISS & Trucost) to determine companies ESG scores.

The metrics BNPP AM use are a blend of common and sector-specific.

## 2- ESG assessment vs. peers

BNPP AM's assessment is primarily sector-relative, reflecting the fact that ESG risks and opportunities are not always comparable between sectors and regions. For instance, health & safety is less important for an insurance company than a mining company.

The 13 000+ companies under coverage are therefore divided into 20 sector groups and 4 geographical areas, leading to 80 ESG scoring peer groups of geographical and sector peers.

Each issuer starts with a baseline 'neutral' score of 50. BNPP AM then sum its score for each of the three ESG pillars – Environmental, Social and Governance. An issuer receives a positive score for a pillar if it performs better than the average of its peer group. If it performs below average, it receives a negative score.

However, two universal issues that impact all companies are not scored relative to peers, introducing a deliberate 'tilt' for the most exposed sectors. These are:

- **Carbon emissions** – As the world faces an absolute carbon emissions problem, BNPP AM implement an absolute carbon emission measure, creating a positive bias towards issuers and sectors with lower carbon emissions.
- **Controversies** – Sectors that are more prone to ESG controversies have slightly lower scores, reflecting increased risk ('headline', reputational or financial risk).

The overall result is a quantitative ESG score that ranges from zero to 99, with the ability to see how each ESG pillar has added to or detracted from the company's final score.

## 3- Qualitative review

In addition to proprietary quantitative analysis, BNPP AM also integrate information from third-party sources, their Sustainability Centre's in-depth research on material issues (e.g. climate change) and BNPP AM's investment teams' knowledge and interaction with issuers.

## 4- Final ESG score



Combining both qualitative and quantitative inputs, BNPP AM reach an ESG score ranging from zero to 99, with issuers ranked in deciles against peers. Issuers that are excluded from investment through BNPP AM's Responsible Business Conduct policy are assigned a score of 0.

Going forward, some product intend to invest part of their assets in sustainable investments in the meaning of art.2 (17) of SFDR.

The objectives of sustainable investments are to finance companies that contribute to environmental and/or social objectives through their products and services, as well as their sustainable practices.

BNP PARIBAS ASSET MANAGEMENT's internal methodology integrates several criteria into its definition of sustainable investments that are considered to be core components to qualify a company as sustainable. These criteria are complementary to each other. In practice, a company must meet at least one of the criteria described below in order to be considered as contributing to an environmental or social objective:

1. A company with an economic activity aligned with the EU Taxonomy objectives. A company can qualify as sustainable investment in case it has more than 20% of its revenues aligned with the EU taxonomy. A company qualifying as sustainable investment through this criteria can contribute to the following environmental objectives: sustainable forestry, environmental restoration, sustainable manufacturing, renewable energy, water supply, sewerage, waste management and remediation, sustainable transportation, sustainable buildings, sustainable information and technology, scientific research for sustainable development;
2. A company with an economic activity contributing to one or more United Nations Sustainable Development goals (UN SDG) targets. A company can qualify as sustainable investment in case it has more than 20% of its revenues aligned with the SDGs and less than 20% of its revenues misaligned with the SDGs. A company qualifying as sustainable investment through this criteria can contribute to the following objectives:
  - a. Environmental: sustainable agriculture, sustainable management of water and sanitation, sustainable and modern energy, sustainable economic growth, sustainable infrastructure, sustainable cities, sustainable consumption and production patterns, fight against climate change, conservation and sustainable use of oceans, seas and marine resources, protection, restoration and sustainable use of terrestrial ecosystems, sustainable management of forests, fight against desertification, land degradation and biodiversity loss
  - b. Social: no poverty, zero hunger, food security, healthy lives and well-being at all ages, inclusive and equitable quality education and lifelong learning opportunities, gender equality, women and girls empowerment, availability of water and sanitation, access to affordable, reliable and modern energy, inclusive and sustainable economic growth, full and productive employment and decent work, resilient infrastructure, inclusive and sustainable industrialization, reduced inequality, inclusive, safe and resilient cities and human

settlements, peaceful and inclusive societies, access to justice and effective, accountable and inclusive institutions, global partnership for sustainable development;

3. A company operating in high GHG emission sector that is transitioning its business model to align with the objective of maintaining the global temperature rise below 1.5°C. A company qualifying as sustainable investment through this criteria can contribute to the following environmental objectives: GHG emissions reduction, fight against climate change;

4. A company with best-in-class environmental or social practices compared to its peers within the relevant sector and geographical region. A company with a contribution score above 10 on the Environmental or Social pillar qualifies as best performer. A company qualifying as sustainable investment through this criteria can contribute to the following objectives:

a. Environmental: fight against climate change, environmental risk management, sustainable management of natural resources, waste management, water management, GHG emissions reduction, renewable energy, sustainable agriculture, green infrastructure

b. Social: health and safety, human capital management, good external stakeholder management (supply chain, contractors, data), business ethics preparedness, good corporate governance

Green bonds, social bonds and sustainability bonds issued to support specific environmental and/or social projects are also qualified as sustainable investments provided that these debt securities receive an investment recommendation "POSITIVE" or "NEUTRAL" from the Sustainability Center following the issuer and underlying project assessment based on a proprietary Green/Social/Sustainability Bond Assessment methodology.

Companies identified as a sustainable investment should not significantly harm any other environmental or social objectives (the Do No Significant Harm "DNSH" principle) and should follow good governance practices. BNP PARIBAS ASSET MANAGEMENT uses its proprietary methodology to assess all companies against these requirements.

More information on the internal methodology can be found on the following website: Sustainability documents - BNPP AM Corporate English ([bnpparibas-am.com](http://bnpparibas-am.com)).

Once issuers have been identified as a Sustainable Investment, the regulation requires an assessment that the issuer does not significantly harm (DNSH) any other environmental or social objectives and follows good governance practices. Therefore, the following exclusion filters have been added. Issuers should:

1. Not significantly harm any other environmental or social objective: DNSH is identified in the following ways:

-Companies involved in large scale controversies could be seen as detracting from environmental and social goals regardless of their positive contributions. BNPP AM uses controversy data provided by Sustainalytics.

-do not have a weak ESG score: issuers which are ranked decile ten against their peer group in BNPP AM's internal ESG scoring framework cannot be considered as "Sustainable Investments".

-not be included on BNPP AM's watchlist: BNPP AM's Responsible Business Conduct policy establishes a watchlist of issuers that are at risk of breaching ESG standards and with whom BNPP AM engage in a dialogue to encourage improvements. An issuer included in BNPP AM's watchlist cannot be considered as "Sustainable Investments".

2. follow good governance practices: BNPP AM uses its proprietary ESG scoring methodology which is split out into an Environmental, Social and Governance score. Issuers with a Governance score below 10, are removed and are not considered as "Sustainable Investment".

As per the clarifications on the ESAs' draft RTS under SFDR published on June 2nd, 2022, the use of the Principal Adverse Sustainability Indicators (PASI) is mandatory to demonstrate that an investment does not significantly harm any other environmental or social objectives. All the 14 mandatory PASI and BNPP AM's 3 selected voluntary PASI for Corporates are covered in BNPP AM's Sustainable Investment definition via the following channels:

·Several PASI are taken into account via BNPPAM's approach to ESG integration. For instance, carbon emissions and board gender diversity are integrated factors in BNPP AM's ESG scoring model which underpins the E and S pillar inclusion criteria in BNPP AM's Sustainable Investment definition.

·Several PASI are taken into account via BNPPAM's RBC policy e.g. coal and other fossil fuel involvement and controversial weapon involvement. BNPP AM's RBC policy is applied universally across their portfolios and assesses/excludes companies before they can be considered Sustainable Investment

·BNPP AM's DNSH and good governance screen in their Sustainable Investment definition considers additional PASI, through the exclusion of companies involved in large scale controversies, the exclusion of issuers with a weak ESG Score (decile 10), and the exclusion of issuers that are watch listed as per BNPP AM's RBC policy.

·Overall, the PASI are closely related to BNPP AM's internal ESG integration criteria in portfolios (through BNPP AM's RBC and indicators used in the ESG scoring methodology).

·In addition, the sustainable investments made by articles 8 and/or 9 products consider and address or mitigate all the 14 mandatory corporate PASI, BNPP AM's 3 selected voluntary corporate PASI and the two sovereign PASI based on the combination of the different pillars of BNPP AM's Global Sustainability Strategy. For more details please refer to their public PASI disclosure statement [here](#).

BNPP AM has developed its own methodology to identify financial products promoting social or environmental characteristics. A company qualifies as promoting social or environmental characteristics if:

- It has been identified as a Sustainable Investment

Or

- It has an ESG score above 50 and the contribution score to the Environmental or Social pillar is above. BNPP AM's proprietary ESG scoring methodology further details how issuers ESG performance are rated.
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## **H. Data Sourcing and processing**

### **What are the data sources used to attain each of the environmental or social characteristics including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?**

With respect to market data providers, BNPP AM select them using a two-step due diligence process. BNPP AM's Quantitative Research Group begins by analyzing providers' data sets, which includes examining the coverage of data and its quality, and a statistical review of estimation methodologies, among other items. At the same time, the Sustainability Centre performs a qualitative review of methodologies used and the relevance of selection criteria. Once BNPP AM have selected a provider, the data sets are usually automatically uploaded to their IT systems. BNPP AM's market data team oversees governance related to the relationship with the provider, and as part of this process, BNPP AM perform an annual review of BNPP AM's market data contracts. ESG brokers are selected, monitored and assessed through a formal process organized by BNPP AM's External Brokers department and formalized once a year by the Global Brokers Committee.

BNPP AM's external specialized providers and what they offer are as follows:

- Sustainalytics provides BNPP AM with raw data metrics that BNPP AM use selectively to feed BNPP AM's ESG scoring model. BNPP AM also use this provider for UNGC analysis and controversies offerings.
- S&P Trucost, CDP, Bloomberg, 427, TPI, SBTi and Climate Action 100+: BNPP AM use these data providers for BNPP AM's climate change and physical risk analysis. Bloomberg and S&P Trucost also provide BNPP AM with corporate Scope 1 & 2 carbon emissions data.
- CDP, S&P Trucost, Forest 500, TRASE, SPOTT, FAIRR, and Iceberg Data Lab provide BNPP AM with water, deforestation and biodiversity metrics BNPP AM use to assess and report on the biodiversity footprints of BNPP AM's portfolios and holdings.
- ISS and Proxinvest provide BNPP AM with their governance research and data to feed BNPP AM's ESG scoring model.
- Beyond Ratings provides BNPP AM with data and research used in BNPP AM's ESG sovereign research and scoring framework.

- ESG and mainstream brokers provide BNPP AM with research papers and other market information.
- Factset provides BNPP AM with financial and enterprise value data.
- Bloomberg provides BNPP AM with EU Taxonomy alignment rate data that BNPP AM use as part of BNPP AM’s Sustainable Investment definition.
- BNPP AM has partnered with Matter to create a revenue-based SDG-alignment model for corporates leveraging Factset Hierarchy data which is used as part of the Sustainable Investment definition.
- CDP, Bloomberg, S&P Trucost, Factset, Sustainalytics & ISS is also used to source various Principle Adverse Impact (PAI) indicators.

Please note that corporate Scope 1 & 2 carbon emissions data sourced by Trucost contains some estimated values.

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## **I. Limitations to methodologies and data**

### **What are the limitations to the methodologies and data sources? (Including how such limitations do not affect the attainment of the environmental or social characteristics and the actions taken to address such limitations)**

Despite the rapid increase in availability in recent years, ESG data is still relatively immature in particular when compared to mainstream financial data. Data availability presents an array of limitations in data processing and methodology development:

- Due to lack of significant historical data, it is common to observe methodologies and/or models being developed without or with limited back testing.
- ESG scores can be affected by data availability and companies with lower data availability are more likely to be assigned an “average” score.
- The assessment of the EU Taxonomy and SDG alignment of economic activities of some issuers is not taken into account in the datasets BNPP AM are currently using. Therefore, a complementary fundamental analysis process has been developed to complement BNPP AM’s current EU Taxonomy and SDG datasets.

An extra-financial approach may be implemented in a different way by management companies when setting investment management objectives for financial products, in particular in view of the absence of common or harmonized labels at European Level. This also means that it may be difficult to compare strategies integrating extra-financial criteria to the extent that the selection and weightings applied to select investments may be based on metrics that may share the same name but have different underlying meanings. In evaluating a security based on the extra-financial criteria,

the Investment Manager may also use data sources provided by external extra-financial research providers. Given the evolving nature of extra-financial field, these data sources may for the time be incomplete, inaccurate, unavailable or not updated. Applying responsible business conduct standards as well as extra-financial criteria in the investment process may lead to the exclusion of securities of certain issuers. Consequently, the Sub-Fund's performance may at times be better or worse than the performance of comparable funds that do not apply such standards. In addition, the proprietary methodologies used to take into account ESG non-financial criteria may be subject to reviews in the event of regulatory developments or updates that may lead, in accordance with the applicable regulations, to the increase or decrease of the classification of products, of the indicators used or of the minimum investment commitment levels set.

Finally, BNPP AM have embraced BNPP AM's role as a 'future maker', using their ability to engage with companies and their investments to tackle three key issues: Energy transition, Environmental sustainability, and Equality & inclusive growth. These '3Es' participate to the mitigation of sustainability risks by guiding BNPP AM's strategic research, stewardship and thematic investing innovation. In 2022, BNPP AM published their net zero roadmap and the biodiversity footprint of their Corporates investments. BNPP AM's ESG Research findings leverage multiple sources in order to enhance data coverage and analysis. BNPP AM's ESG research is independent, not limited to ESG data providers and completed by direct contact and engagement with issuers. In addition, BNPP AM's data strategy is designed to build historical datasets whilst BNPP AM strive to constantly assess the rapidly evolving ESG data landscape. These objectives provide BNPP AM with the necessary tools to further improve BNPP AM's methodologies and overall data capabilities.

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## **J. Due Diligence**

### **What is the due diligence carried out on the underlying assets and what are the internal and external controls in place?**

BNPP AM performs an ESG analysis on the underlying assets through its proprietary ESG score composed of environmental, social and governance indicators. This ESG score is part of the investment decision process of the portfolio manager. Controls are carried out by the fund manager to ensure that commitments related to this ESG score are respected at any time. Independent controls are also carried out by the Risk function of BNPP AM to identify any potential breach which would be remedied following an escalation process.

BNPP AM apply a layer of data quality and control to the underlying metrics BNPP AM source from third parties to narrow BNPP AM's focus to the indicators that BNPP AM deem to have sufficient coverage, quality and insight. When ESG updates are performed each ESG Sector Analyst performs quality and coherence controls on the main changes of companies in their sector.

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## **K. Engagement Policies**

### **Is engagement part of the environmental or social investment strategy?**

Yes

**If so, what are the engagement policies? (Including any management procedures applicable to sustainability-related controversies in investee companies)**

Voting and engagement are key components of BNPP AM's Global Sustainability Strategy and their investment decisions. Together, voting and engagement form one of the six pillars of BNPP AM's approach to sustainable investment and are fully embedded in BNPP AM's Global Sustainability Strategy (GSS).

To ensure that these activities are effective, consistent and supportive of BNPP AM's overall objectives as fiduciaries, they are not only rooted in BNPP AM's GSS, but are amplified in their Stewardship Policy and their Governance and Voting Policy, each reviewed annually, revised as needed, and approved by the Sustainability Committee and the Proxy Voting Committee.

BNPP AM's voting and engagement activities inform their investment decisions on a day-to-day basis, within the framework of their GSS and ESG integration guidelines. Similarly, BNPP AM's engagement informs their ESG analysis and ratings of issuers.

BNPP AM use three tools — voting, engagement and public policy advocacy — to encourage companies to improve their performance and accountability on sustainability topics, and to urge policymakers to deliver legislation, regulation and standards that foster sustainable, equitable development. These activities help BNPP AM to better manage ESG risks in the near and long term, enhance BNPP AM's knowledge and understanding as an investor and generate positive impact — all of which benefit their clients.

Liability risk is built into BNPP AM's controversy tracking tool. Thus, all companies are monitored via a permanent flow of information from relevant sources (brokers, public data, media, etc.). In the event of controversy, ESG analysts may trigger a special monitoring procedure (by setting up a specific list). Portfolio managers are therefore alerted and any new purchase or increase in positions in this monitored security is prohibited until a new ESG recommendation is provided by ESG analysts. This process allows BNPP AM to maintain a maximum alert level when a controversy arises.

The more controversies a company faces, the greater the reputational risk for BNPP AM's funds. All controversies are classified from level 1 (least serious) to level 5 (most important). The classification takes into account the impact of the incident (severity and number), the level of recurrence, responsibility and exceptionality, response and management by the company. A company is automatically penalized if it faces one or more level 3 or higher controversies.

If the controversy is extremely serious or has particularly negative consequences, the company could be excluded from BNPP AM's investment universe. In addition, sectors most exposed to ESG controversies and scandals have structurally weaker ESG results in their rating system.

**GOVERNANCE AND VOTING PRINCIPLES:**

The following principles describe BNPP AM's expectations of the public companies in which BNPP AM invest. BNPP AM believe that Environmental, Social and Governance (ESG) issues

impact the value and reputation of entities in which BNPP AM invest, in addition to driving systemic risks and opportunities. BNPP AM are therefore committed to incorporating ESG standards into BNPP AM's investment processes and voting criteria, in the long-term interests of their clients. These principles act as a guiding framework by which BNPP AM executes its ownership responsibilities.

## 1. FOCUS ON LONG-TERM SUSTAINABLE VALUE CREATION

Management bodies play a critical oversight role to ensure that companies deliver long-term sustainable value, meaning value that can be sustained over the long term, in line with the interests of society and the environment. Corporate governance practices should keep the board's attention focused on this goal with a clear strategy that takes into account all key stakeholders. Boards should maintain an open dialogue with investors and be prepared to discuss their long-term plans for sustainable value creation.

## 2. PROTECT SHAREHOLDER RIGHTS

Shareholders play a key role in BNPP AM's system of corporate accountability and value creation. BNPP AM's rights as shareholders allow BNPP AM to take action to defend the interests of their clients, when companies underperform expectations. It is therefore critical that shareholder rights be preserved and, where necessary, strengthened:

- Companies should ensure that the rights of all investors are protected and should treat investors equitably, notably by respecting the principle of one share - one vote - one dividend.
- All shareholders should be given the opportunity to vote on all decisions concerning fundamental corporate changes.
- Capital increases should be carefully controlled to minimize dilution of existing shareholders.
- Anti-takeover devices should not be used.
- Shareholders should have opportunities to address material concerns, including through direct access to the proxy to nominate directors and through the submission of shareholder proposals.

## 3. ENSURE INDEPENDENT, EFFECTIVE AND ACCOUNTABLE BOARD STRUCTURE

There should be a sufficient counter-balancing structure at the board and its committees with a strong presence of qualified, engaged and independent directors to allow for effective oversight of management, with independent leadership. Formal evaluation of the board, executive sessions and succession plans should be in place. Directors should be elected annually, by a majority vote of shareholders. Board composition should include the expertise necessary to understand and address emerging risks facing the company and its key stakeholders.

## 4. ALIGN INCENTIVE STRUCTURES WITH LONG-TERM INTERESTS OF STAKEHOLDERS



Executive compensation plans should be aligned with the long-term performance of the company, and should discourage irresponsible risk-taking, strengthen employee loyalty, take into consideration their impact on inequality and aim to foster inclusive growth. They should include non-financial targets, including those relating to the key sustainability risks and opportunities presented by the company's business model. Compensation programs should not restrict the company's ability to attract and retain talented executives, and should respect best market practices. They should be disclosed to shareholders in a clear and thorough way, and be subject to shareholder approval.

#### 5. ENSURE RESPECT FOR SOCIETY AND THE ENVIRONMENT

Long-term sustainable returns depend upon proactive and effective management of ESG risks and opportunities to ensure that growth does not come at the expense of social and environmental health and stability. As a sustainable investor, BNPP AM expect companies to understand the risks they face and the risks they create, as well as the opportunities that better ESG performance might bring to their businesses, and to act responsibly towards all stakeholders. All companies should strive to meet high corporate governance, environmental and social standards to protect stakeholders' long-term interests.

#### 6. DISCLOSE ACCURATE, ADEQUATE, AND TIMELY INFORMATION

Companies should ensure that timely and accurate disclosure is made on financial and operating results, ownership issues, lobbying activities and performance on key ESG issues, including full disclosure of greenhouse gas emissions and commitments to combat climate change. Corporate reporting should aim to provide investors with an accurate and holistic view of foreseeable risks to the company, as well as the company's contribution to the health and stability of key social and environmental systems. Annual audits of the financial statements carried out on behalf of shareholders by independent external auditors should be required for all companies.

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#### L. Reference Benchmark

**Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?**

No

Yes

**How is that index designated as a reference benchmark aligned with the environmental or social characteristics promoted by the financial product? (including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated)**

The MSCI USD HY SRI Sustainable Corporate Bond Index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Fund.

**How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

The environmental or social characteristics promoted by the Fund are directly linked to the ones of the reference benchmark as the investment objective of the Fund is to replicate the performance of the reference benchmark, including fluctuations, and to maintain the tracking-error between the Fund and the reference benchmark below 1.5%.

The reference benchmark is rule-based and therefore continuously apply its methodology, including environmental or social characteristics.

However, there is no guarantee that extra-financial filter or criteria is applied at any moment. For instance, between two index reshuffles, if a company were deemed to not fulfil anymore an ESG criteria, it may be excluded only at the next reshuffle following the index provider rules.

**How does the designated index differ from a relevant broad market index?**

The reference benchmark incorporates environmental or social criteria in its asset allocation methodology whereas a relevant broad market index does not and is usually market-capitalization weighted.

**Where can the methodology used for the calculation of the designated index be found?**

The methodology used for the calculation of the reference benchmark can be found at: [www.msci.com](http://www.msci.com).