

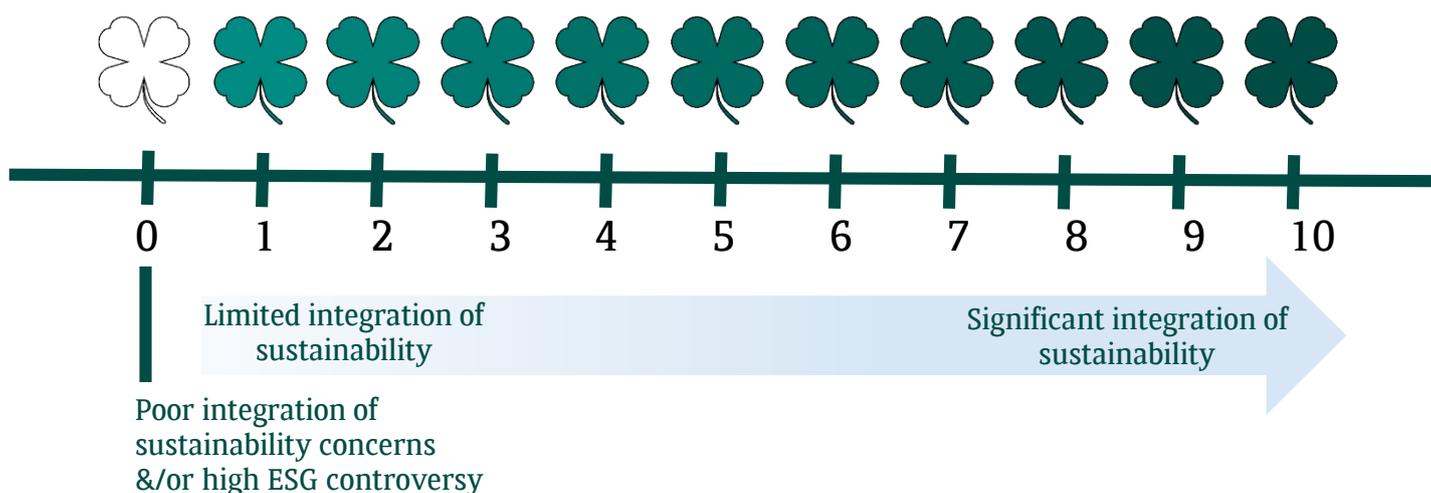
Methodology to assess the sustainability of Equities

A sustainability rating for recommended Equities is assigned. It analyses the ESG (Environmental, Social, corporate Governance) impact of activities for issuers in each sector.

The methodology analyses:

- **The integration of sustainable development principles** in companies activities
- The quality of **corporate governance**
- The potential **controversies**

Sustainability Rating of single lines (Equities)



A rating based on the best sources

#1 Comprehensive coverage

- More than 1,000 shares recommended
- Coverage of European, US and Asian issuers
- All sectors analysed
- Companies of all sizes (large-caps, mid-caps and small caps)

#2 Recognized and varied sources

- Sustainalytics
- Trucost/S&P/Carbone 4
- ISS ESG
- Vigeo Eiris
- Brokers and Asset Managers involved in ESG
- International organisations (UN, OECD, WHO, etc.)
- Issuer publications

#3 A differentiated approach

- Issuers are positioned on a granular scale from 0 to 10 clovers
- **Only 25% of issuers within rating coverage (12,000) are rated 5 clovers and above**
- The rating is documented and updated on a monthly basis

A 4-step methodology

The aim is to assess all single lines, whether sustainable or not



The **variety of information sources** ensures wide coverage, thorough analysis and integration of the risks associated with possible controversies.

Dozens of indicators related to the ESG pillars are analysed, some of which are specific to the sector(s) of the issuer.

BNP PAM's analysts review the indicators and check that they reflect most recent developments. The result of each indicator is "normalized" and transformed into contributions (positive or negative).

#1



Contributions are aggregated at pillar level. When necessary, BNP PAM's analysts may apply an overlay modifying the pillar score, and document the change. The sum of each pillar's indicator contributions and the potential overlay creates the pillar contribution (positive or negative).

The 3 E, S and G pillar contributions are added to 50 (neutral score) and create the issuer's ESG score. The ESG scores are ranked globally and clover ratings are assigned according to the issuer (absolute) ranking. Only the top 25% group gets at least 5 clovers.

#2



Issuers screened for non compliance with **BNP Paribas Group's sector policies**, and/or **BNP Paribas Asset Management's ESG monitoring rules** (failure to comply with the UN Global Compact, carbon policy, etc.) will see their **rating reduced to 0 clovers**.

#3



Steps for attributing the number of clovers:

1. **A score out of 100 is given.** This is equal to the sum of each E, S and G pillar contribution with the neutral score of 50 and may reflect an overlay by BNP PAM's analysts, a controversy and/or carbon intensity risk;
2. **The score's ranking determines the number of clovers (0 to 10);**
3. **Validation of number of clovers with a filter for sector policies and ESG monitoring criteria.**

#4

Key points

- The sustainability methodology for single lines incorporates the ESG criteria for companies' practices and activities.
- We draw on the best sources of information available and the research of ESG analysts at BNP Paribas Asset Management.
- Our rating methodology follows the same logic and a common approach across all asset classes to compare all financial instruments (equities, bonds, funds, etc.) in a portfolio.