BGL BNP PARIBAS STATEMENTS ABOUT PRODUCT CLASSIFICATION

Date of Publication: 10.03.2021
Update date: 12.08.2024

Pursuant to Regulation (EU) 2019/2088 (SFDR), which applies from 10 March 2021, BGL BNP Paribas makes available to you information in particular in relation to financial products.

1.General information

BNP Paribas Group's mission is to contribute to responsible and sustainable growth by financing the economy and advising clients according to the highest ethical standards. The Group's Corporate Social Responsibility (CSR) policy is one of the main components of this approach. In line with the United Nations' Sustainable Development Goals (SDGs), it is based on four pillars (economic, social, civic and environmental) that reflect its CSR challenges, as well as the Bank's concrete achievements.

In 2019, BNP Paribas Group has published its corporate purpose, a text which was prepared by the BNP Paribas Executive Committee, based on three texts resulting from a work with many different employees. These include: the Shared Convictions (Mission and Vision), the Code of conduct and the Engagement Manifesto.

Moreover, BNP Paribas Group has been committed for several years by setting itself additional obligations in several sensitive sectors through:

- financing and investment policies in the following sectors: agriculture, palm oil, defense, nuclear energy, paper pulp, coal energy, mining and non-conventional hydrocarbons (for an updated list of policies, please see Financing and investment policies - BNP Paribas (group.bnpparibas) https://group.bnpparibas, in the section "All Publications – CSR Publications".
- a list of excluded goods and activities such as tobacco, drift nets, the production of asbestos fibers, products containing PCBs (polychlorinated biphenyls), or the trading of any species regulated by the CITES convention (Convention on international trade in endangered species of wild fauna and flora) without the necessary authorization.
- Restriction lists which define the level of monitoring and constraint applied to companies which do not fully meet the Group's CSR requirements.

In line with the United Nations' SDGs, the Group actively participates in designing and implementing long-term social and environmental solutions within the framework of both the Principles for Responsible Investment (PRI) and the Principles for Responsible Banking (PRB).

2. Classification of financial products under mandate

2.1 Mandates without promotion of environmental or social characteristics (SFDR"ARTICLE 6"):

Crystal mandates' strategies investing in a combination of the following 19 PMS sub-funds:

- PMS Short Term Invest USD
- PMS Bonds EUR
- PMS Bonds USD
- PMS Yield Opportunity EUR
- PMS Conservative EUR
- PMS Conservative USD
- PMS Flexible 30 EUR
- PMS Alti-Select EUR
- PMS Alti-Select USD
- PMS Balanced EUR
- PMS Balanced USD
- PMS Flexible 60 EUR
- PMS Dynamic EUR
- PMS Flexible 100 EUR
- PMS Equity Premium EUR
- PMS Equity Premium USD
- PMS Conservative SRI EUR[1]
- PMS Balanced SRI EUR {footnote 1}
- PMS Dynamic Responsible and Engaged EUR {footnote 1}

Profiled Mandates (Classic & Funds)

- Bonds
- Conservative
- Balanced
- Dynamic
- Equity

Flexible Mandates :

- Flexible 100

Smart Asset Allocation Mandates :

- Smart Asset Allocation 10
- Smart Asset Allocation 20
- Smart Asset Allocation 30
- Smart Asset Allocation 45
- Smart Asset Allocation 55

[1] While the Crystal mandate neither promotes environmental and/or social characteristics nor has a sustainable investment as objective, it may include strategies in PMS sub-funds promoting environmental and/or social characteristics or/and having a sustainable investment objective

- Smart Asset Allocation 65
- Smart Asset Allocation 80

Smart Global Income Mandates:

- Smart Global Income 1
- Smart Global Income 2
- Smart Global Income 3
- Smart Global Income 4

Smart Fixed Income Mandates:

- Smart Fixed Income Core
- Smart Fixed Income Higher income

The investments underlying these mandates products do not take into account the EU criteria for environmentally sustainable economic activities.

When selecting investment products, BGL BNP Paribas explicitly takes into account the exclusion of certain activities (see sector policies above), and implicitly considers sustainability risks via the regular risk-return assessment of each covered product.

For its whole offering of products and services, whether sustainable or not, BGL BNP Paribas is aiming to have a sustainability rating of its whole selection universe with BNP Paribas Wealth Management's proprietary methodology (see WM sustainable rating methodology). This enables BGL BNP Paribas, as a financial market participant, to assess the level of environmental, social and governance risks from its investments as unmanaged or unmitigated sustainability risks can impact the returns of financial products.

For instance, should an environmental, social or governance event occur, it could cause a material negative impact on the value of an investment. The occurrence of such event may lead to the reshuffle of the portfolio strategy, including the exclusion of securities of certain issuers. In addition, the likely impact from sustainability risks can affect issuers via a range of mechanisms including:

1) lower revenue;
2) higher costs;
3) damage to, or impairment of, asset value;
4) higher cost of capital; and
5) fines or regulatory risks.

Due to the nature of sustainability risks and specific topics such as climate change, the chance of sustainability risks affecting the returns of financial products is likely to increase over longer-term time horizons.

BGL BNP Paribas integrates this risk assessment explicitly in its product selection process, next to the standard risk return assessment. For equivalent financial risk-return products, priority is given to the best ESG players.

Information on sector policies and BNP Paribas Wealth Management sustainable rating methodology is available on the website: [Sustainability-related disclosures | BGL BNP Paribas].

2.2 Mandates with promotion of environmental or social characteristics (SFDR "ARTICLE 8"):

Profiled SRI Mandates :

- Conservative SRI
- Balanced SRI
- Dynamic SRI

The SRI profiled mandates do not have a sustainable investment as their objective however they integrate ESG characteristics. Therefore, equity, bond and alternative funds in which the mandates are invested will be chosen mostly according to the evaluation of the way they take into account the Environmental, Social and Governance (ESG) criteria.

While these SRI profiled mandates promote environmental characteristics within the meaning of Article 8 of the SFDR, they do not currently commit to investing in any "sustainable investment" within the meaning of the SFDR or the Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment ("Taxonomy Regulation"). Accordingly, it should be noted that these Responsible mandates do not take into account the EU criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation and their portfolio alignment with such Taxonomy Regulation is not calculated. Therefore, the "do not significant harm" principle in relation to the Taxonomy Regulation, does not apply to any of the investments of these SRI profiles.

The three SRI profiled mandates (Conservative, Balanced and Dynamic) were awarded the Lux FLAG ESG Discretionary Mandate Label (valid for one year with conditional renewal) in January 2023 and January 2024.

When selecting investment products, BGL BNP Paribas explicitly takes into account the exclusion of certain activities (see sector policies), and implicitly considers sustainability risks via the regular risk-return assessment of each covered product.

For its whole offering of products and services, whether responsible or not, BGL BNP Paribas is aiming to have a ESG rating of its whole selection universe with BNP Paribas Wealth Management's proprietary methodology (see WM ESG rating methodology). This enables BGL BNP Paribas, as a financial market participant, to assess the level of environmental, social and governance risks from its investments as unmanaged or unmitigated sustainability risks can impact the returns of financial products.

For instance, should an environmental, social or governance event occur, it could cause a material negative impact on the value of an investment. The occurrence of such event may lead to the reshuffle of the portfolio strategy, including the exclusion of securities of certain issuers. In addition, the likely impact from sustainability risks can affect issuers via a range of mechanisms including:

1) lower revenue;
2) higher costs;
3) damage to, or impairment of, asset value;
4) higher cost of capital; and
5) fines or regulatory risks.

Due to the nature of sustainability risks and specific topics such as climate change, the chance of sustainability risks affecting the returns of financial products is likely to increase over longer-term time horizons.

For its responsible offering, BGL BNP Paribas integrates this risk assessment explicitly in its product selection process, next to the standard risk return assessment. For equivalent financial risk–return products, priority is given to the best ESG integration. In addition, the responsible mandate promotes ESG criteria and as such selection is mainly performed among financial instruments having at least 5 clovers. The responsible mandate targets a minimum weighted scoring average of 5 clovers (ex-cash).

Information on sector policies and BNP Paribas Wealth Management ESG rating methodology is available on the website: Sustainability-related disclosures | BGL BNP Paribas.

2.3 Mandates with promotion of environmental or social characteristics and a pocket of sustainable investments (SFDR "ARTICLE 8 with a sustainable investment portion"):

Profiled Responsible and Engaged Mandate

- Conservative.
- Balanced.
- Dynamic.
- Equity.

This mandate does not aim at sustainable investment but incorporates ESG characteristics. Therefore, the equity, bonds and alternative funds in which it is invested will be selected primarily on the basis of an assessment of how they take into account Environmental, Social and Governance (ESG) criteria in their investment process.

These profiled mandates only invest in BNP Paribas Asset Management's Article 9 or Article 8 UCITS with a sustainable investment component according to the SFDR Regulation.

They promote environmental and social characteristics by assessing the underlying investments against environmental, social and governance (ESG) criteria using BNP Paribas Wealth Management proprietary ESG methodology for funds and ETFs. Thanks to BNP Paribas Asset Management ESG scoring methodology for issuers, they also invest in issuers with superior or improving environmental and social practices, while implementing strong corporate governance practices in their industries.

In addition, BNP Paribas Asset Management seeks to promote better practices by implementing an active engagement policy with companies towards responsible practices (individual and collective engagement with companies, voting policy at general meetings).

These profiled Mandates aim to improve their ESG profile and reduce their carbon footprint, as measured by greenhouse gas emissions, relative to its reference benchmark.

The ESG performance of an issuer is assessed in the underlying funds against a combination of environmental, social and governance factors, which include but are not limited to :

- Environmental: global warming and greenhouse gas (GHG) emissions, energy efficiency, natural resource conservation, CO2 emission levels and energy intensity;
- Social: employment management and restructuring, accidents at work, training policy, remuneration, staff turnover and PISA (Programme for International Student Assessment) results;
- Corporate governance: the independence of the board.

Exclusion criteria are applied to issuers that violate international standards and conventions or are active in sensitive sectors.

This assessment is carried out by BNPP AM's Sustainability Center on the basis of internal analysis and information provided by external experts, and in consultation with the BNP Paribas Group CSR team. In the event of serious and repeated non-compliance with these principles, the issuer is placed on an "exclusion list" and is no longer eligible for investment.

Existing investments must be removed from the portfolio in accordance with an internal procedure. If an issuer is considered likely to breach any of the principles, it shall be placed on a "watch list", where appropriate

The minimum proportion of investments aligned with the environmental and social characteristics promoted, aligned with E/S characteristics, by the mandates is 90%.

10% of these investments will be considered sustainable investments.

These profiled mandates do not currently commit to investing in any sustainable investments as defined by the EU taxonomy. However, this position will be reviewed as the underlying rules are finalised and the availability of reliable data increases over time.

The Balanced Responsible & Engaged EUR mandate profile was awarded the LuxFLAG ESG Discretionary Mandate Label (valid for one year with conditional renewal) in January 2023 and January 2024. The Conservative Responsible & Engaged EUR mandate profile was awarded the LuxFLAG ESG Discretionary Mandate Label (valid for one year with conditional renewal) in January 2024.

2.4 Portfolio Management Solutions (PMS) SICAV

PMS has a majority of article 6 SFDR sub- funds.

The investments underlying these sub-funds do not take into account the EU criteria for environmentally sustainable economic activities.

PMS also has a minority of article 8 SFDR sub- funds.

There are 3 Article 8 sub-funds. The two PMS SRI (Conservative and Balanced) do not have a sustainable investment as their objectives however they do integrate ESG characteristics. Therefore, equity, bonds and alternative funds in which the sub-funds are invested will be chosen mostly according to the evaluation of the way they take into account the Environmental, Social and Governance (ESG) criteria in their investment process. While PMS Conservative SRI and PMS Balanced SRI sub-funds promote environmental characteristics within the meaning of Article 8 of the SFDR, they do not currently commit to investing in any "sustainable investment" within the meaning of the SFDR or the Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment ("Taxonomy Regulation").

The PMS Dynamic Responsible and Engaged sub-fund commits to a portion of "sustainable investment" within the meaning of the SFDR.

Accordingly, it should be noted that these three sub-funds do not take into account the EU criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation and their portfolio alignment with such Taxonomy Regulation is not calculated. Therefore, the "do not significant harm" principle in relation to the Taxonomy Regulation, does not apply to any of the investments of these sub-funds.

It is only possible to subscribe to the PMS sub-funds via the Crystal mandate.

The PMS Conservative Responsible Euro and PMS Balanced Responsible Euro sub-funds, which may be invested by the Crystal mandate, were awarded the LuxFLAG ESG Label in March 2022, March 2023 and March 2024 ("valid for one year with conditional renewal ").

The PMS Dynamic Responsible and Engaged Euro which may be invested by the Crystal mandate, was awarded the LuxFLAG ESG Label in March 2023 and March 2024 ("valid for one year with conditional renewal ").

BGL BNP PARIBAS S.A. – 50, avenue J.F. Kennedy L-2951 Luxembourg – Tél. : (+352) 42 42-1
R.C.S. Luxembourg B 6481 – BIC (SWIFT) : BGLLLULL – N° Identification TVA : LU 10875081 – bgl.lu – info@bgl.lu