



# INFORMATION ABOUT BGL BNP PARIBAS POLICY AS FINANCIAL MARKET PARTICIPANT ON CONSIDERING THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS IN INVESTMENT ADVICE, PORTFOLIO MANAGEMENT ACTIVITIES AND INSURANCE ADVICE

January 27, 2023

Pursuant to Regulation (EU) 2019/2088 (SFDR) article 4, which applies from 10 March 2021, BGL BNP Paribas makes available to you information in relation to its policies on adverse sustainability impacts.

## 1. Consideration of the principal adverse impacts on sustainability factors for portfolio management<sup>1</sup>

*Principal adverse impacts on sustainability factors refer to adverse impacts of investment decisions on sustainability factors that mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.*

BGL BNP Paribas' approach on principal adverse impacts relies on a set of extra-financial data sources and analyses:

### a. The BNP Paribas Group policy:

- The list of excluded goods and activities and the restriction lists,
- The BNP Paribas sector policy: BNP Paribas S.A. coordinates investment actions in sensitive sectors, excluding a number of sectors or companies, see BNP Paribas public [sector policies](#) developed in cooperation with independent experts. On each sector, BNP Paribas takes into consideration a set of mandatory requirements, of evaluation criteria and of good industry practices when they exist.

### b. The BNP Paribas Asset Management Issuers' ESG<sup>2</sup> screening:

Regarding bonds and equities, BNP Paribas S.A. relies on the BNP Paribas Asset Management information, sources and policies specifically designed towards sustainability. Regarding the selection process of issuers, the pillars of the [Global Sustainability Strategy](#) developed by BNP Paribas Asset Management enable to deploy a classification of issuers based on various sustainability factors:

- **The ESG assessment**, based on materiality, measurability, data quality and availability, focuses on a limited set of robust ESG metrics, among these sources:
  - **Selected external providers:** organizations specializing in ESG data and research, as well as ESG and mainstream brokers,
  - **Internal qualitative research:** insights from BNP

Paribas Asset Management's ESG analysts assessing ESG performance and reviewing provider data, based on direct contacts with issuers, academics, institutions, civil society research, issuer official publications,

- **International institutions:** Eurostat, OECD, United Nations, Worldbank, International Energy Agency, World Health Organization.
- **The Stewardship Strategy** includes proactive engagement with corporate and other issuers, and engagement with public policy makers on sustainability issues.
- **The [Responsible Business Conduct policy](#)** aims at avoiding reputational, regulatory risks; it fosters companies' compliance with fundamental rights, in the areas of human and labour rights, environment protection and anti-corruption, based on the 10 [United Nations Global Compact Principles](#).
- **The Forward-looking perspective** or the '3Es' measure the exposure to the three key issues being Energy transition, Environment and Equality.

Based on the set of BNP Paribas Group and BN Paribas Asset Management data, BGL BNP Paribas S.A. is in a position to:

- Exclude or select issuers (equities and bonds),
- Identify equities and bonds when possible, according to 'sustainability preferences' as defined by the MiFID delegated regulation<sup>3</sup>,
- Rate equities and bonds according to the internal proprietary clover methodology

More information on the methodology is available on our [website, www.bgl.lu](http://www.bgl.lu), in the section "Public Documents - Overview on sustainability-related disclosures".

<sup>1</sup> SFDR regulation article 4.1a, 4.2, 4.5a and SFDR Delegated regulation article 11

<sup>2</sup> Environmental, Social and Governance

<sup>3</sup> Article 2(7) MIFID Delegated Regulation 2017/565



**c. Analysis of asset management companies and recommended funds and ETF<sup>4</sup>s:**

BGL BNP Paribas S.A. gathers sustainability information from asset managers, based on a due diligence proprietary questionnaire:

- Funds: comprehensive questions covering 6 areas, either on the management company and/ or the fund regarding ESG practices and exclusions, voting and engagement policies, transparency, sustainability of the asset management company, sustainable thematic, impact,
- ETFs: questions covering the 6 above mentioned areas,
- Open-ended Alternative Investment Funds: comprehensive questions covering 7 areas.

BGL BNP Paribas S.A. looks at the percentage of available universe excluded based on ESG considerations, i.e., sector-based exclusions, norm-based exclusions, activity-based exclusions and worst ESG ratings among peers. Due diligences also identify the way ESG controversies are taken into account during the fund investment process.

BGL BNP Paribas S.A. relies on the set of data provided by the asset manufacturers on the financial product ESG characteristics according to the European ESG template (EET format defined by Findatex), i.e.:

- Data on taxonomy aligned investment within the financial instrument (percentage of alignment, based on the E.U. Taxonomy Regulation),
- Data on sustainable investment within the financial instrument (percentage of sustainable investment, based on the SFDR regulation), and
- Data on mandatory Principle Adverse Sustainable Indicators.

**Thanks to this double level of analysis when selecting funds and ETFs, BGL BNP Paribas S.A. is in a position to:**

- Select asset managers, funds and ETFs;
- Classify, when possible, funds and ETFs according to MIFID definition of 'sustainable preferences' <sup>5</sup> defining a classification system.
- When selecting instruments, BGL BNP Paribas will:
  - Comply with the BNP Paribas list of excluded goods and activities, the restriction lists and the Group sector policies on equities, bonds and packaged products actively managed by BNP Paribas;
  - Exclude instruments that do not take into account :
  - Either PASI #10 (Violations of UN Global Compact principles and OECD Guidelines for multinational Enterprises),
  - Or PASI #14 (Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)).

For the avoidance of doubt, BGL BNP Paribas does not at this stage consider on derivative instruments the principal adverse impacts on sustainability factors.

On an annual basis, the statement of BGL BNP Paribas S.A. on the Principal Adverse Impacts of investment decisions on sustainability factors will be published on its website.

**2. Consideration of the principal adverse impacts on sustainability factors in investment advice<sup>6</sup>**

**BNP Paribas S.A. sustainability classification and selection of the financial instruments:**

The classification and the selection of financial instruments regarding Principal Adverse Sustainable Impacts is based on:

- a. **The Principle Adverse Sustainable Indicators published by the asset managers or by the manufacturers of structured notes for each financial instrument:** A financial instrument is considered as taking into account the E, S or G category of Principle Adverse sustainable Impact (PASI<sup>7</sup>) if one at least of the mandatory PASI of the E, S or G category is taken into account;
- b. **Equities and bonds:** The methodology, based on the data feed of BNP Paribas Asset Management, rates the sustainability of the instruments taking into account the ESG criteria of the activity and practice of the company, as well as the ESG criteria of the sector it operates in. In its proprietary ESG scoring framework, BNP Paribas Asset Management takes into account the mandatory PASI, cf. Appendix 1 Mandatory corporate indicator of the [Sustainability risk integration and PASI considerations](#) document detailing for each PASI how it is embedded within the scoring methodology

The analysis realised by BGL BNP Paribas S.A. as financial advisor, allows the classification, when possible, of financial instruments according to MIFID definition of 'sustainable preferences' <sup>8</sup>.

**3. Consideration of the principal adverse impacts on sustainability factors in insurance advice<sup>9</sup>**

Insurance companies are manufacturers of their life insurance contracts which are subject to SFDR disclosure requirements. For Insurance-Based Investment Products (IBIP), BGL BNP Paribas acts as the insurance agent for Cardif Lux Vie. For Cardif Lux Vie, manufacturer of life insurance contract distributed by BGL BNP Paribas S.A., you can refer to their SFDR statement, on their website [cardifluxvie.com](http://cardifluxvie.com), in the section "Download – SFDR".

BGL BNP Paribas S.A. as financial adviser relies on the information provided by insurance companies on the general fund and on the underlying options as per SFDR classification to take into consideration PAI.

The classification and the selection of the underlying options regarding Principal Adverse Sustainable Impacts is based on

<sup>4</sup> Exchange-Traded Fund

<sup>5</sup> Article 2(7) MIFID Delegated Regulation 2017/565

<sup>6</sup> SFDR Delegated regulation art.11

<sup>7</sup> PASI being listed in table 1 of Appendix 1 of SFDR RTS.

<sup>8</sup> Article 2(7) MIFID Delegated Regulation 2017/565

<sup>9</sup> SFDR Delegated regulation art.11



- **For underlying options based on funds, ETFs, structured products:** The Principle Adverse Sustainable Indicators provided by the manufacturer to BNP Paribas, an underlying option being considered as taking into account the E, S or G category of Principle adverse sustainable Impact (PASI<sup>10</sup>) if one at least of the mandatory PASI of the E, S or G category is taken into account.
- **For underlying options based on equities and bonds:** The methodology relying on the data feed of BNP Paribas Asset Management, rates the sustainability of the instruments, taking into account the ESG criteria of the activity and practice of the company, as well as the ESG criteria of the sector it operates in. In its proprietary ESG scoring framework, BNP Paribas Asset Management takes into account the mandatory PASI, cf. Appendix 1 Mandatory corporate indicator of the [Sustainability risk integration and PASI considerations](#) document detailing for each PASI how it is embedded within the scoring methodology.

The analysis realized by BGL BNP Paribas as insurance advisor, allows the classification, when possible, of underlying options according to IDD definition of 'sustainable preferences'. BNP Paribas Wealth Management performs this clover sustainability rating on the whole recommended universe. The scoring enables to compare sustainability of instruments within or across asset classes:

- Equities and bonds: the methodology, based on the data feed of BNP Paribas Asset Management, rates the sustainability of the instruments, taking into account the ESG criteria of the activity and practice of the company, as well as the ESG criteria of the sector it operates in.
- Funds and ETFs: based on a unique and proprietary methodology, the methodology rates the sustainability of the funds and ETFs.

For portfolio management activities, the statement of BGL BNP Paribas on the Principal Adverse Impacts of investment decisions on sustainability factors will be published on an annual basis.

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<sup>10</sup> PASI being listed in table 1 of Appendix 1 of SFDR RTS.