

# ESG POLICY

April 2021



**BNP PARIBAS**  
**CAPITAL PARTNERS**

## ESG Policy – BNP Paribas Capital Partners

Our world faces major challenges and we are convinced that as investors, our role is to act on the environmental, social and governance questions. This policy as well as the signature of the UN-supported PRI are the first steps of an approach which aims at leading BNP Paribas Capital Partners (BNPP CP) towards the best responsible investment practices.

Within the frame of its investment and advisory mission for its clients, BNPP CP has taken the decision to put in place this responsible investment policy. BNPP CP has decided to develop an ESG policy aligned with the Principles for Responsible Investment (PRI) which aims at taking into consideration extra-financial criteria in its investment processes and the monitoring of its assets under management. The aim of this policy is to provide an orientation and a framework to the investment teams.

### PRINCIPLES

Within the frame of its mission, BNPP CP aims to optimize the risk/return profile of the funds under management by taking into consideration environmental, social and governance risks. For this purpose, BNPP CP has decided to integrate ESG criteria within its investment process in line with the PRI framework.

- ▶ **As an asset manager, BNPP CP assumes the following responsibilities:**
  - Manage assets in the financial interests of its clients;
  - Manage assets freely and with competency in a way to guarantee the security, quality, liquidity, and the return of the entire portfolio;
  - Treat all current and future clients in an equal manner;
  - Do not accept restrictions that can have a negative impact on the risk-return profile of the investment portfolio in the long-term (without sufficient justification);
  - Diversify assets in an appropriate manner;
  - Be held accountable for this policy and its implementation.

For this purpose, BNPP CP has decided to formalise the consideration of the interests of its different stakeholders and its engagement for responsible investment by signing the PRI in 2020.

- ▶ **BNPP CP endorses and commits to promote the Principles for Responsible Investment via its practices and processes and to improve them on a continuous basis:**
  1. To incorporate Environmental, Social and Corporate Governance (ESG) matters into investment analysis and decision-making processes;
  2. To be an active owner and to incorporate ESG matters into our own ownership policies and practices;
  3. To seek appropriate disclosure on ESG matters by the entities in which we invest;
  4. To promote acceptance and implementation of the Principles within the investment industry;
  5. To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles;
  6. To report on our activities and progress towards implementing the Principles.

### OBJECTIVE AND SCOPE OF APPLICATION

This policy aims to define and set a framework for the activity of all BNPPCP's investment teams in charge of the selection of investment funds and unlisted securities in Absolute Return (UCITS and FIA), Private Equity and Private Debt, as well as its Incubation activities. Within the frame of its relations with fund managers that have been selected or are in the process of selection, BNPP CP's investment teams seeks to encourage good ESG practices among its stakeholders.

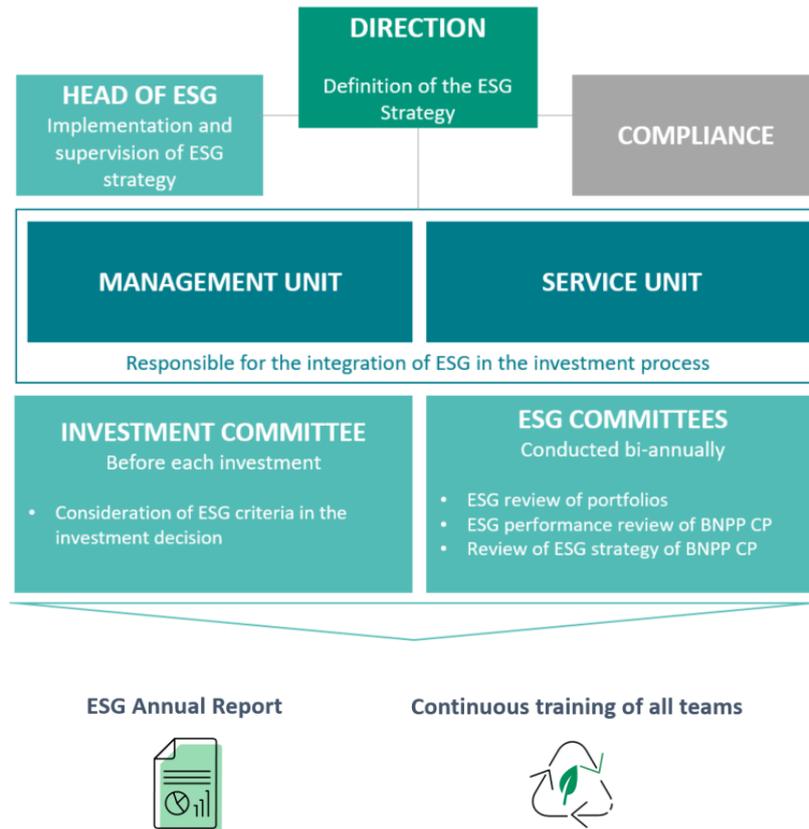
BNPP CP puts in place an investment process in which environmental, social and governance criteria are integrated on a continuous improvement basis. This ambition applies to investments across all of our asset classes, where it is practicable and in line with our fiduciary duty.

It is important to note that due to the nature of the activity of external fund selection and as a minority investor, BNPP CP has no control over external managers and depends on their responsible investment policies. In this context, thorough ESG due diligences are performed prior to investing in order to assess the fund managers' ESG policies and practices. Informal dialogues can be conducted in order to help the managers improve their policies and practices.

## GOVERNANCE

The ESG Policy is supported by the Management of BNPPCP and communicated to all the teams through the ESG governance structure and bi-annual ESG committees. In collaboration with the Management, the Head of ESG defines the ESG strategy and oversees its implementation. The investment teams are responsible for applying the ESG framework deployed by BNPP CP and for presenting their conclusions at the Investment Committee which gives its decision on the selection of the fund or the company being analysed, as well as for following the ESG developments of the holdings over time.

### ESG GOVERNANCE:



In addition, BNPP CP actively collaborates with the Sustainability Center of BNP Paribas Asset Management on engagement matters and the integration of ESG criteria in line with the strategy of the BNP Paribas Group. The Sustainability Center is the center of expertise on environmental, social and governance subjects as well as engagement within BNP Paribas Asset Management.

## METHODS OF ESG INTEGRATION

The consideration of ESG criteria is an integral part of the investment and management process both when selecting funds but also when monitoring them with the aim of constantly improving.

### Integration of ESG criteria in the investment process:



\*Due Diligence

\*\*Principles for Responsible Investment

## Principles of exclusion

BNPP CP has put in place lists of exclusions concerning sectors that are controversial or have a significant negative environmental or social impact. The exclusion lists are tailored to each asset class that BNPP CP invests in (Hedge Funds, Private Equity, Private Debt, Infrastructure). Should an identified sector fall within the scope of activities excluded by BNPP CP, the investment will not proceed.

Regarding our funds in Private Equity and Private Debt, if a risk of exposure to our exclusion list is identified, we require the fund manager to commit to the avoidance of the excluded activities through a side letter.

In case a fund does not formally state the exclusion of these sectors in the fund documentation or a side letter, but is not bound to invest in them due to the nature of its investment strategy, we may agree to pursue investment if we establish that such exposure is unlikely.

## ESG assessment in the selection of funds

BNPP CP emphasizes on the following areas when assessing a potential investment's ESG practices:

- Presence, quality and implementation of the responsible investing policy of the fund manager
- Monitoring of investments on ESG matters
- Dialogue between fund managers and their underlying investments when ESG practices are insufficient

In cases where several shortcomings are identified, BNPP CP may decide not to invest in the fund. Moreover, if an identified sector or product falls within the list of exclusions, the investment will not proceed.

## Engagement

Investment portfolios are monitored annually through ESG indicators that are collected by the investment teams who aggregate the data by fund and by investment team.

In order to strengthen its approach for certain products, BNPP CP will closely monitor the progression of the selected fund managers and engage in a dialogue with them on a case-by-case basis.

In the cases when BNPP CP has voting rights as a shareholder, BNPP CP will be an active investor and take ESG questions into account in its shareholder policies and practices.

With respect to BNPP CP's engagement with public entities and other asset managers, BNPP CP relies on the Sustainability Center of BNPP AM, the policy of which is available [here](#).

## Conflicts of Interest

The conflicts of interest management policy is available on the BNPP CP website [here](#).

## Reporting

Since 2020, BNPP CP has committed to participating in the annual PRI reporting cycle. BNPP CP also has the ambition of producing an ESG report on an annual basis starting from 2021. For the purpose of these two initiatives, the necessary data collected by the investment teams from portfolio funds and companies will be aggregated at the level of BNPP CP.

## CONCLUSION

BNPP CP is committed to the consideration of environmental, social and governance factors and for this purpose has decided to become a signatory of the PRI (Principles of Responsible Investment). The responsible investment policy of BNPP CP is also part of a continuous improvement approach. BNPP CP will seek, on a continuous basis, to develop its expertise and improve its ESG policies and practices.

*This document has been drafted by the Head of ESG in collaboration with the investment teams and has been validated by the Management of BNPP CP. This ESG policy is applicable as of April 30th 2021. Investments made before this date are not covered by this policy.*

BNP Paribas Capital Partners is a portfolio management company approved by the French financial markets Authority (Autorité des marchés financiers - the "AMF") under number GP97107 on 30 September 1997 and is a simplified joint stock company with its registered office at 1, boulevard Haussmann 75009 Paris, France, RCS Paris 348 541 145.