

Methodology to assess the level of responsibility of Green, Social and Sustainability (GSS) bonds



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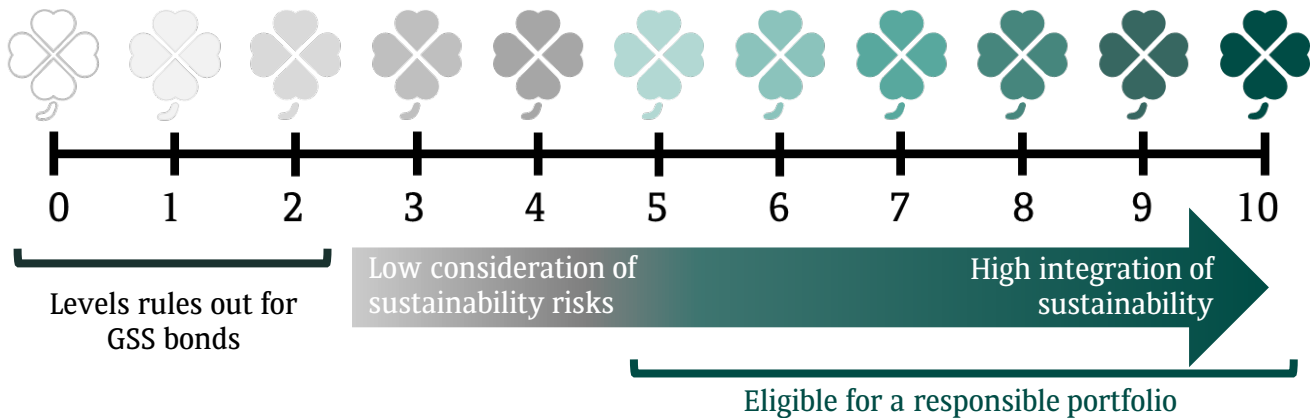
Compare the responsibility of Green, Social and Sustainability (GSS) bonds

A responsibility rating for recommended GSS bonds is assigned. The rating combines (1) a **thorough analysis of the environmental and/or social impact of the underlying sustainable projects**, with (2) **the analysis of the ESG (Environmental, Social, corporate Governance) practices of issuers** in each sector.

The methodology analyses the four components of ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines:

- **The use of proceeds** that specify the project(s) being financed;
- **The project appraisal and selection process**;
- **The management of the project's funding**;
- **And the impact report** (where applicable).

A scale of 0 to 10 clovers



The main features of the methodology

#1 Comprehensive coverage

- More than **300 recommended GSS Bonds analysed** (from sovereign and corporate issuers).
- GSS Bonds being part of the Bloomberg Barclays MSCI Global Green Bond Index, plus sustainable bonds off index.
- Coverage of **developed markets and emerging markets** GSS Bonds.

#2 Recognized and varied sources

- BNP Paribas Asset Management **Sustainability Center** proprietary rating model is based on the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines for the **analysis of underlying projects**, and on various sources for the **ESG rating for issuers**:
- Sustainalytics
 - Trucost/S&P/Carbone 4
 - ISS ESG
 - Vigeo Eiris
 - International organisations (UN, OECD, WHO, etc.)

#3 A differentiated approach

- Sustainable Bonds are positioned on a granular scale from 3 to 10 clovers.
- The list with the sustainability ratings for Sustainable Bonds is documented and **updated on a quarterly basis**.

A 4-step methodology



The variety of information obtained from the issuer, from public sources and from pre- or post-emission external reviews ensures wide coverage.

BNP Paribas Asset Management's analysis covers the four components of the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines: the use of proceeds that specify the project(s) being financed; the project appraisal and selection process; the management of the project's funding; and the impact report (where applicable).

#1



Different criteria within each component are analysed by BNPP AM and used to attribute a score out of 100 to the Sustainable Bond underlying project(s). Their methodology ensures the financing of quality projects related to the following eligible activities: renewable energy, energy efficiency, green buildings, clean transportation, waste, water, natural resources, health, education, etc.

#2



Not eligible for the BNP Paribas WM Sustainable Bonds offering:

- Issuers rated with 0 clovers by BNP Paribas WM will see their Sustainable Bonds rated with 0 clovers too.
- If there is no sustainability rating for the issuer, there will be no clover rating for the Sustainable Bond.
- Sustainable Bonds whose underlying project(s) are not covered by BNPP AM rating model or get a rating below the score required to integrate their Sustainable Bonds universe (50 points for developed countries' emissions and 30 points for emerging markets' emissions) will be attributed the sustainability rating of their issuer and included in the Traditional Bonds universe.

#3



Steps for attributing the number of clovers:

1. BNP Paribas Asset Management's score out of 100 is converted into clovers through a conversion table, from 6 to 10 clovers for Sustainable Bonds from developed markets and from 5 to 10 for those from emerging markets.
2. A bonus/malus system is applied to the previous clover score based on the BNP Paribas WM sustainability rating for the issuer.

#4

Key points

- The sustainability rating methodology for Sustainable Bonds incorporates the environmental and/or social impact of underlying projects. It also takes into account the ESG criteria for companies' practices and activities.
- We draw on the research of ESG analysts at BNP Paribas Asset Management, based on the best sources of information available.

GLOSSARY

ESG

In the financial community, these initials refer to the Environmental, Social and Governance (ESG) criteria, which are used to complete the traditional financial analysis of issuers. ESG criteria assess the extent to which issuers are responsible for the environment and their stakeholders (employees, customers, suppliers, subcontractors, partners, local community, etc.).

Sustainable Bonds (Green, Social and Sustainability)

Sustainable Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Green and/or Social Projects. The Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines published by the International Capital Market Association (ICMA) promote integrity in the Sustainable Bond market through four core components: use of proceeds, process for project evaluation and selection, management of proceeds and reporting.

Green Bonds

Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects, which are aligned with the four core components of the Green Bond Principles.

Social Bonds

Social Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible social projects, which are aligned with the four core components of the Social bond Principles.

Sustainability Bonds

Sustainability Bonds are bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both Green and Social Projects. Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles with the former being especially relevant to underlying green projects and the latter to underlying social projects.

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