

TAXONOMIES



GABRIEL WILSON-OTTO
SEPTEMBER 2019



BNP PARIBAS
ASSET MANAGEMENT

The asset manager for a changing world

Global challenges require coordinated action

Climate change is one of the most significant risks of our generation

- By 2030, 100mn additional people could be in extreme poverty
- 1.9 billion people could be impacted by the melting of the 'third pole'

We are facing global problems, that **require huge amounts of capital** to address

Between US\$190bn and US\$320bn p.a. needed for the **European Union** to address **climate change**



Between US\$280bn to US\$560bn p.a. required to address **China's environmental challenges**



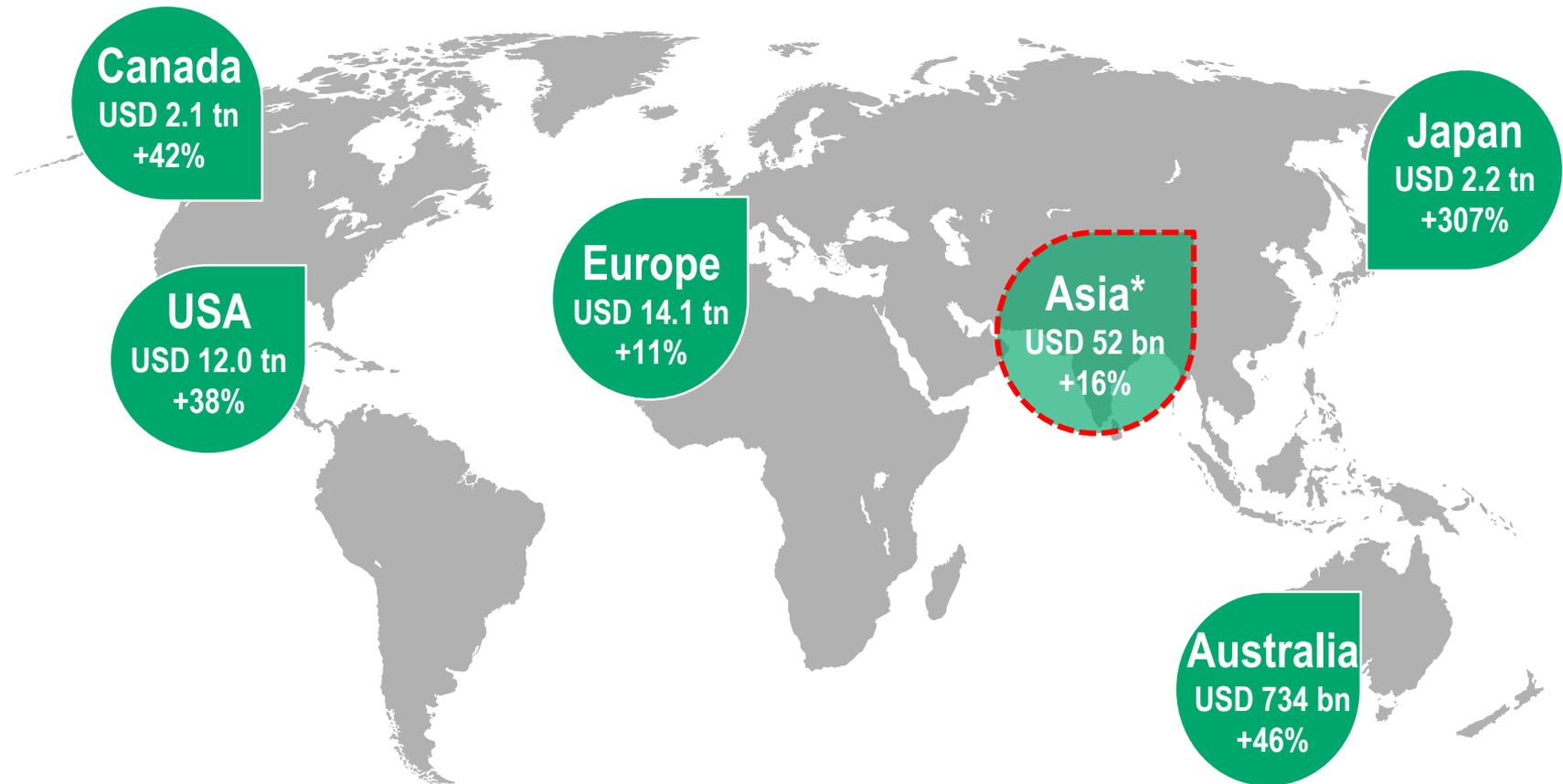
US\$2.5 trillion* a year necessary to finance **Sustainable Development Goals** in developing countries



Source: MSCI, April 2019. *United Nations estimate.

A rising tide of sustainable investment

Sustainable assets in 2018 (including ESG) and 2016-2018 growth – a **USD 31 trillion** market



Source : Global Sustainable Investment Review 2018, March 2019.

*Asia was not included in the GSIR 2018 report, hence data is from the 2016 report, with 2014-2016 growth.

Increasing focus on ESG from regulators, investors and issuers

In the 50 largest economies globally

- 38 now have ESG disclosure requirements for companies
- 26 now have ESG reporting guidance from Stock Exchanges or industry associations

In Asia

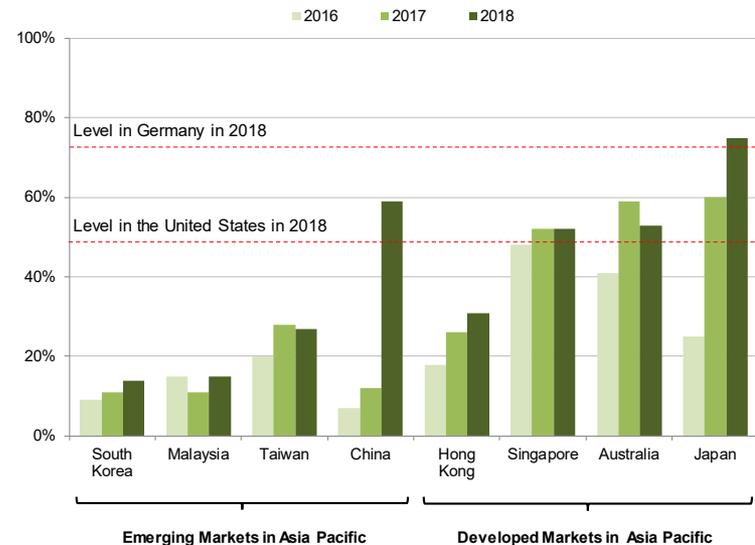
- 7 new Stewardship codes were adopted over the last 5 years
- Trend towards mandatory or 'comply or explain' ESG disclosure by regulators and exchanges

PRI signatories and assets under management



Source: UN PRI, April 2019

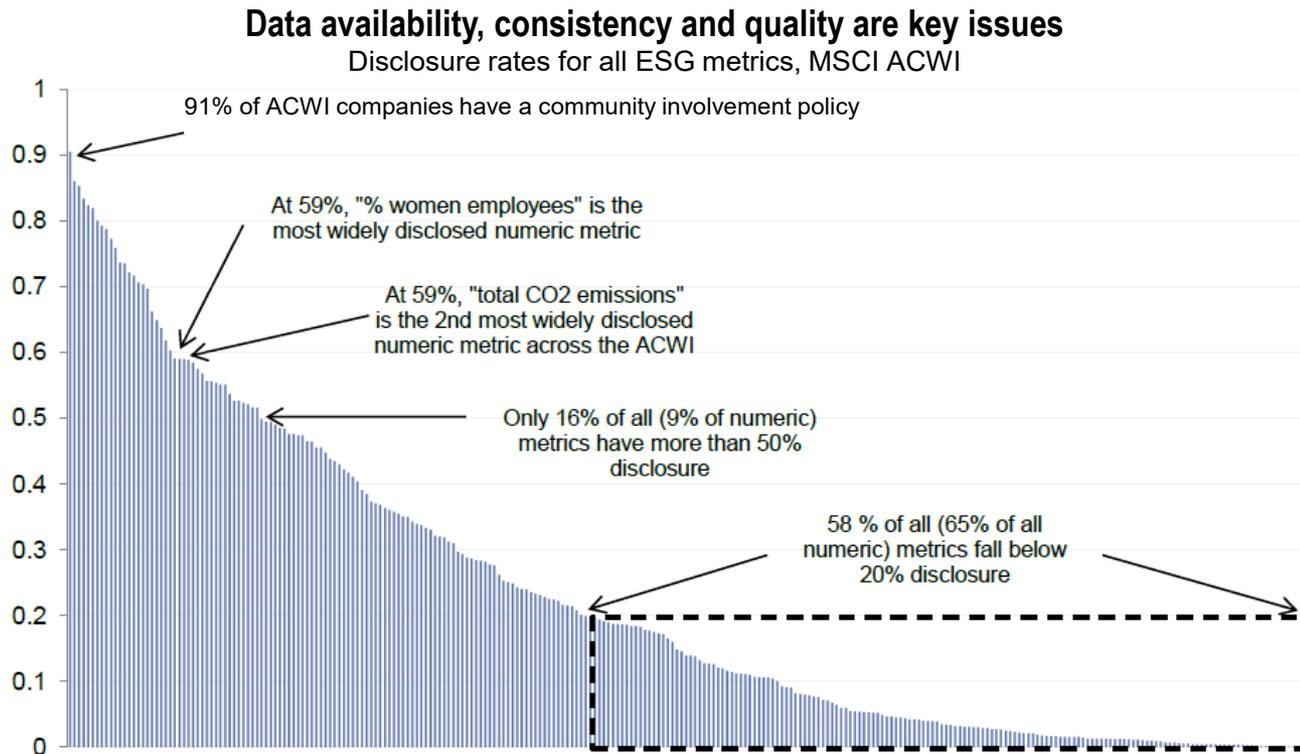
Company response rate to inquiries from MSCI



Source: MSCI, April 2019

But there is a need standards and transparency

1. What does a 'green' investment mean?
2. How do you measure or evaluate different 'shades of green'?
3. What data is required and is it even available?



Source: Thomson Reuters, Bloomberg, Company data, Goldman Sachs Global Investment Research, June 2019

Taxonomy: in a nutshell

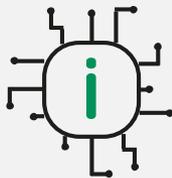
<p>What it is</p> <p>What it is not</p>	<p> A list of economic activities that are considered environmentally sustainable for investment purposes.</p> <p> A mandatory list to invest in, nor a standard, nor an exclusion list.</p>
<p>Why it is good</p>	<ul style="list-style-type: none">▪ Contributes to providing much needed investments for sustainable development▪ Taxonomy provides clarity and transparency on environmental sustainability, enabling informed decision-making in order to foster investments in environmentally sustainable activities.
<p>What it has to be used for</p>	<ul style="list-style-type: none">▪ By Member States: when setting out “requirements on market actors in respect of financial products or corporate bonds that are marketed as 'environmentally sustainable'”;▪ By Financial market participants: when marketing “financial products as environmentally sustainable investments, or as investments having similar characteristics”.

The Benefits of a Taxonomy

What the taxonomy can be used for



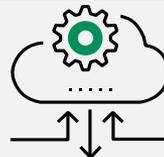
To design and constructed my green portfolios



To asses and calculate the green share of my portfolios, my investments by asset class and of my total AUM



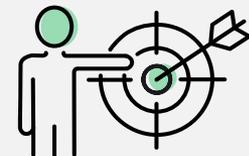
The EU taxonomy is **THE dictionary of what is green, what is transitioning and what is not green.** It will “unblock” existing hurdles for the green finance market to grow and will benefit from the entire EU policy package



To develop new green financial products. The biggest potential lies in debt/lending that allow ring-fencing



To assess my exposure to brown investments



To focus our engagements with companies, harmonise messaging and improve environmental disclosures

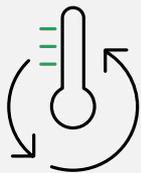
Taxonomies can help direct and build the flow of green capital

The EU taxonomy is a classification tool to evaluate “green” economic activities

Goal: Contributing significantly to environmental objectives while Doing Not Significant Harm

SIX ENVIRONMENTAL OBJECTIVES

Climate change mitigation



Climate change adaptation



Sustainable use and protection of water and marine resources



Transition to a circular economy, waste prevention and recycling



Pollution prevention and control



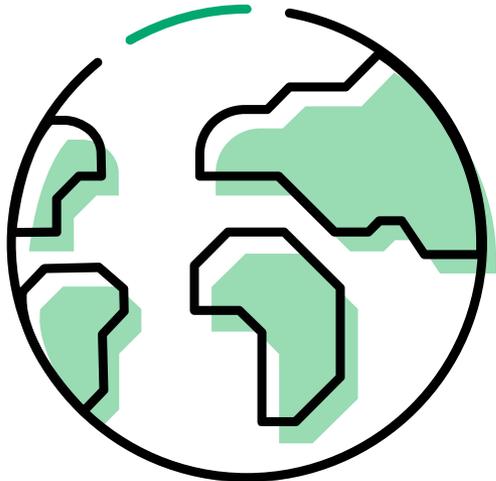
Protection of healthy ecosystems



Source: BNP Paribas Asset Management, European Commission – September 2019

From local to global

The European Commission Technical Expert Group's insights should be our starting point for a global taxonomy.



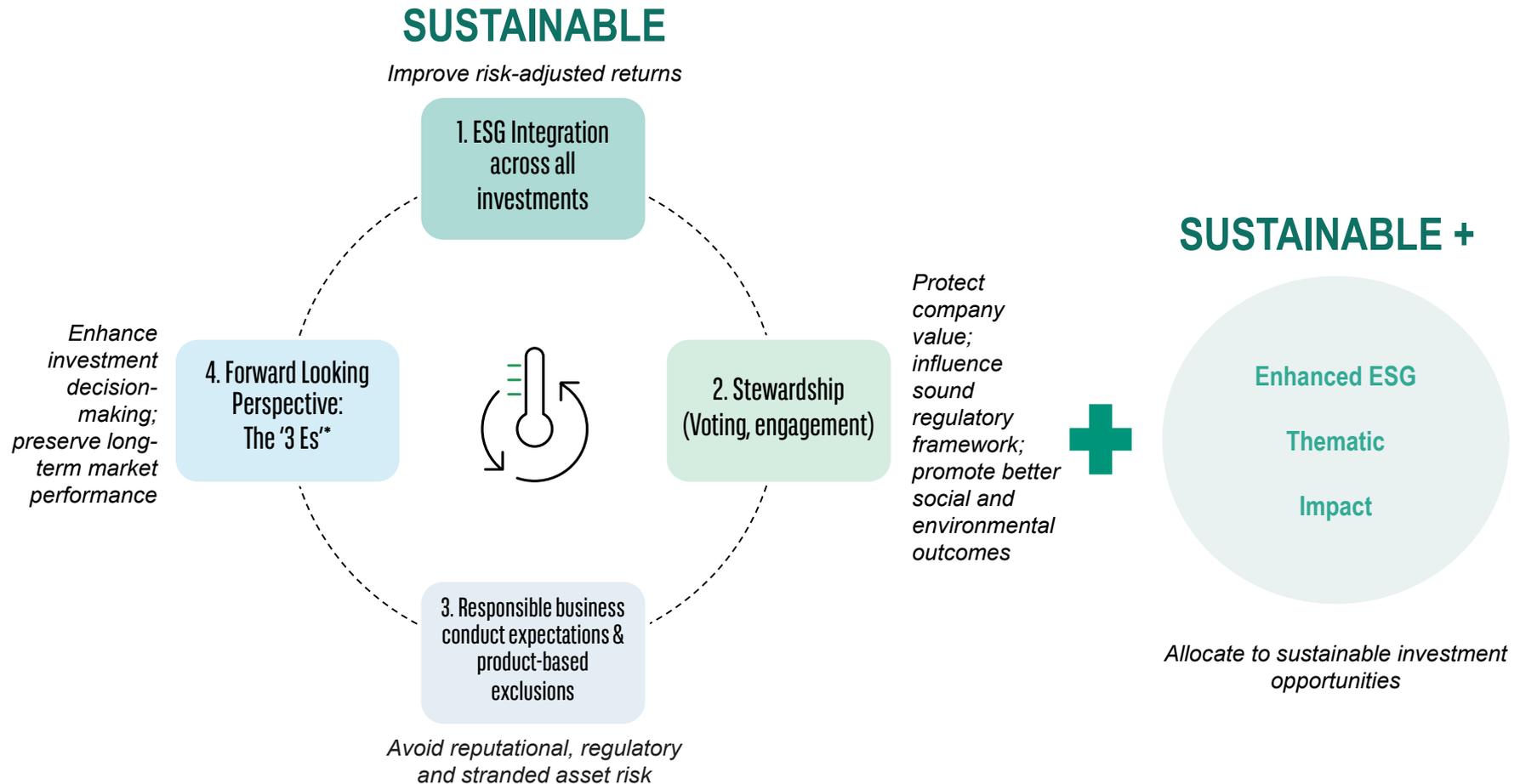
While “one” taxonomy might not always fit everyone’s needs and realities; the **underlying principles, framework, methodology and metrics** could.

- ⇒ Setting **standards depending on local and regional contexts**,
- ⇒ With a shared **scientific and evidence-based analysis methodology**.

Key Benefits of a global taxonomy

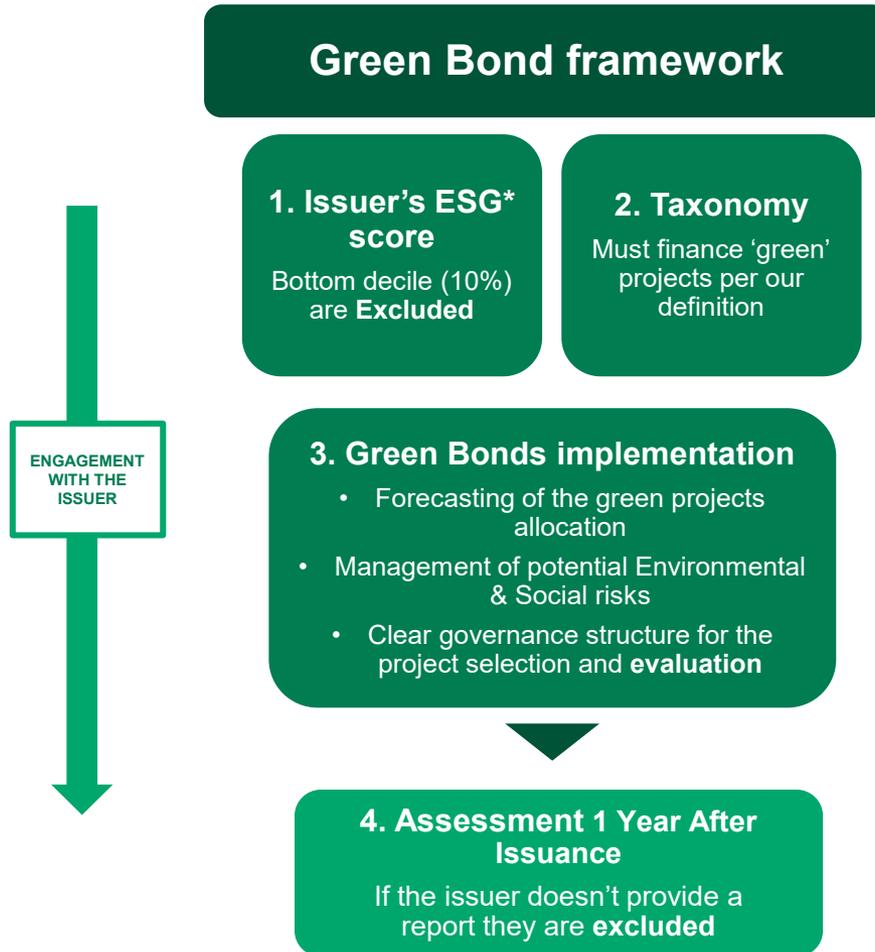
- ⇒ **Common references** for environmentally sustainable activities
- ⇒ **Increase confidence** in green financial products

Our sustainable investment approach



Source: BNP Paribas Asset Management - As of August 2019 ** 3 Es: Energy Transition, Environmental Sustainability and Equality

Case study: Green Bonds framework



* ESG : Environmental, social and governance

Source: BNP Paribas Asset Management - As of August 2019

Disclaimer

BNP Paribas Asset Management France, “the investment management company,” is a simplified joint stock company with its registered office at 1 boulevard Haussmann 75009 Paris, France, RCS Paris 319 378 832, registered with the “Autorité des marchés financiers” under number GP 96002. This material has been prepared by the investment management company and issued by BNP Paribas Asset Management Malaysia Sdn Bhd (BNPP AM MY)*.

This material is produced for information purposes only and does not constitute:

1. an offer to buy nor a solicitation to sell, nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever, or
2. investment advice.

Opinions included in this material constitute the judgment of the investment company at the time specified and may be subject to change without notice. The investment company is not obliged to update or alter the information or opinions contained within this material. Investors should consult their own legal and tax advisors in respect of legal, accounting, domicile and tax advice prior to investing in the financial instrument(s) in order to make an independent determination of the suitability and consequences of an investment therein, if permitted. Please note that different types of investments, if contained within this material, involve varying degrees of risk and there can be no assurance that any specific investment may either be suitable, appropriate or profitable for an investor’s investment portfolio. The contents of this presentation are based upon sources of information believed to be reliable, but no warranty or declaration, either explicit or implicit, is given as to their accuracy or completeness.

Given the economic and market risks, there can be no assurance that the financial instrument(s) will achieve its/their investment objectives. Returns may be affected by, amongst other things, investment strategies or objectives of the financial instrument(s) and material market and economic conditions, including interest rates, market terms and general market conditions. The different strategies applied to the financial instruments may have a significant effect on the results portrayed in this material.

This presentation is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. Furthermore, any translation, adaptation or total or partial reproduction of this document, by any process whatsoever, in any country whatsoever, is prohibited unless the investment manager has given its prior written consent.

All information referred to in the present document is available on www.bnpparibas-am.com.

* *BNP PARIBAS ASSET MANAGEMENT Malaysia Sdn Bhd is an investment manager holding a Capital Markets Services Licence under the Capital Markets and Services Act 2007 of Malaysia, having its principal place of business at Vista Tower, Level 48D, The Intermark 348 Jalan Tun Razak 50400 Kuala Lumpur, Malaysia.*