

# Clover rating: the sustainability evaluation of financial instruments



**BNP PARIBAS**  
**WEALTH MANAGEMENT**

The bank  
for a changing  
world

## Purpose of the report

The purpose of this report is to present, in a transparent manner, BNP Paribas Wealth Management's responsibility evaluation process for financial instruments according to its proprietary methodology. Moreover, it sets out the broad principles of the evaluation and the audit by an independent third party (Deloitte).

This report follows on from the first edition, which was published in 2023 and covered 2022. This year's edition consists of an update of the previous report. It monitors the key performance indicators, between end-2022 and end-2023.

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# Editorial

“Every investor can play a role in accelerating the transition of society towards a more sustainable model by supporting activities that contribute to it. This may be either by investing in new solutions (e.g. renewable energies) or/and in the transition of businesses with a high environmental and/or social impact, for example in the agricultural sector.

Our economic models, industries and societies must be simultaneously transformed, spanning the whole population. This is the very principle of the just transition.

At BNP Paribas Wealth Management, we are convinced that our task is to guide and point our individual clients in this direction, equipping them with tools to understand sustainable investing.

For advisory solutions and discretionary portfolio management, clients based in countries subject to sustainable European regulations should now specify any investment preferences in terms of Environmental, Social and Governance (ESG) criteria. When we select financial products for our clients, we first focus on their ESG preferences and on the regulatory information provided by asset management companies.

At BNP Paribas Wealth Management, we also apply our Clover methodology, presented in this report. Indeed, this proprietary methodology aims to analyse the level of responsibility of all financial instruments recommended to our clients.

Our analysis grid provides clients with complementary information to the existing European regulations on sustainable finance. In countries where these are not applicable, the Clover methodology is used to compare the level of responsibility of investment solutions, within each asset class.

Through all management solutions, we offer clients a wide range of financial instruments integrating varying levels of sustainability. Clients then choose appropriate investment options to match their objectives or expectations of Return on Investment, level of risk and sustainability preferences.

Our approach to responsible investing, and more broadly, the integration of environmental and social criteria into our activity, was applauded by the 2024 Euromoney Awards, naming BNP Paribas Wealth Management 'Best Private Bank for Sustainable Development', for the third consecutive year.

We were delighted and honoured to receive this accolade, which once again reflects the considerable efforts we have made in this area. In 2024, we will continue to offer advice to our clients and share with them our responsible investment expertise so that, thanks to our adapted investment offer, they can decide to contribute to a more sustainable future.”

**Éléonore Bedel**

Chief Sustainability Officer  
BNP Paribas Wealth Management

# Principles common to all asset classes





## Analysis based on continuously strengthened expertise

- In order to analyse the responsibility level of financial instruments, in 2010 BNP Paribas Wealth Management developed a proprietary analysis grid: **the Clover methodology**.
- Following this evaluation, all financial instruments recommended by BNP Paribas Wealth Management are positioned on **a scale of zero to ten Clovers**, by asset class, whether the products are responsible or not. The evaluation is performed by internal analysts.
- In countries subject to, and in compliance with, European regulations on sustainable finance, for the construction process of discretionary portfolios and investment offers in advisory services, **products are first selected on the basis of the ESG preferences of each client, and then the regulatory information provided by asset management companies**. This selection is carried out in accordance with the financial profile of each client. The Clover evaluation finally provides additional insight into the level of responsibility of the identified products.
- In other countries, the Clover methodology compares the level of responsibility of several investment solutions.
- Individual clients can now rely on our continuously strengthened expertise and, for each asset class, a methodology which is:
  - **Progressive:** it continues to adapt over time, in line with the growing consideration of sustainable development challenges in the economy, the transition of the financial sector towards sustainable finance, and related regulations;
  - **Independent** from issuers and producers of financial instruments, created internally and verified by an external organisation;
  - **Holistic:** it analyses a large number of criteria in different areas, promoting best practices for the environment and society;
  - **Demanding:** with high standards for each type of financial instrument.

### THE RECOMMENDED UNIVERSE

The recommended universe includes the financial instruments selected by BNP Paribas Wealth Management: single lines (equities, bonds, structured products and derivatives), investment funds (traditional funds, alternative funds, funds of funds, ETFs) and private assets. Financial instruments are thus chosen for qualities related to the estimated Return on Investment (ROI), the level of risk assessed and their responsibility characteristics. In the selection, BNP Paribas Wealth Management also applies the Group's sector policies, which govern the financing and investment in activities at risk to the environment or society.

The recommended universe includes the financial instruments that BNP Paribas Wealth Management monitors and analyses, in terms of the financial performance and the integration of sustainable development challenges.

**These products are offered to clients according to the regulations in force, mainly through advisory management services or discretionary portfolio management.**

The recommended universe is adapted continuously to meet the requirements defined by BNP Paribas Wealth Management, in line with the expectations of its clients.

## Main objectives of the evaluation

- Thanks to an evaluation grid of zero to ten Clovers (ten being the best rating), the Clover evaluation aims to allow individual clients to compare the sustainability level of each financial instrument in the recommended universe of BNP Paribas Wealth Management, within each asset class. Our goal is to enable our clients to consider this rating in their decisions, alongside their desired risks and expected Return on Investment.
- The results of the evaluation are used in the client journey, which begins with the definition of ESG preferences by the client, if any (in the countries concerned by the ESG MiFID regulation and outside the European Union – in Switzerland, the Middle East and Asia).
- BNP Paribas' approach aims to provide clients with a comprehensive and detailed view of their investment options to match their financial and extra-financial goals.
- In countries where the rating is already available to BNP Paribas' individual clients, they can compare the sustainability level of financial instruments, within each asset class.
- The methodologies are built by considering the integration of ESG criteria into investment processes as well as the impacts each asset class can have on society and the environment.
- The evaluation provides a detailed set of extra-financial information on each financial instrument, in addition to but not a substitute for, current regulations on sustainable finance (Sustainable Finance Disclosure Regulation or SFDR and ESG MiFID in the European Union, for example).
- Through this assessment, BNP Paribas Wealth Management is in contact with multiple stakeholders (asset management companies, investment banks, ESG data providers, etc.) and thus benefits from a broad market view. Through these relationships and drawing on over 15 years of experience, the teams in charge of the ratings select the analysis criteria they consider to be the most relevant.

### RESPONSIBLE INVESTMENT

The team in charge of Responsible Investment<sup>(1)</sup> at BNP Paribas Wealth Management was created in 2006 at the same time as the UN Principles for Responsible Investment<sup>(2)</sup>. Responsible Investment at BNP Paribas Wealth Management is defined as a type of investment that integrates Environmental, Social and Governance (ESG) criteria to varying degrees and ensures that it does not cause material harm.

Thanks to a scale of zero to ten Clovers, BNP Paribas Wealth Management enables clients to compare the responsibility level, assessed by the Clover evaluation, for each rated financial instrument, within each asset class. BNP Paribas Wealth Management considers financial instruments to be eligible for a responsible portfolio if they obtain five or more Clovers, regardless of the asset class.



(1) Today part of the Sustainability Office of BNP Paribas Wealth Management.

(2) <https://www.unpri.org>

## Scope of evaluation

The extensive methodology aims to evaluate all financial instruments recommended by BNP Paribas Wealth Management, whether developed by the Group or not, whether responsible or not, and regardless of the asset class to which they belong.

At the end of 2023, all the following were being assessed:

- Investment funds (traditional funds, alternative funds and funds of funds);
- Equities and bonds through issuers ratings, with a particular methodology for Green, Social and Sustainability (GSS) bonds;
- Private assets: private equity, private real estate, private infrastructure and private debt.

Work is underway in 2024 to update the sustainability evaluation methodologies for investment funds, ETFs and structured products.



## \*Key steps for assessing the sustainability level of each financial instrument

**1** / The teams in charge of the assessment examine a number of criteria. Depending on the asset class and its specific characteristics, this may include information obtained from a data provider (such as Sustainalytics or ISS ESG, directly or via BNP Paribas Asset Management<sup>(1)</sup>) or directly from the producer of the financial instrument (the asset management company in the case of investment funds).

**2** / Each analyst's evaluation is then subject to a review to ensure the quality and objectivity of the evaluation (see page 8 for details).

**3** / For investment funds and ETFs (whether developed internally or not), once the assessment is validated by the analyst and the review has been carried out, a report is often sent to the asset management company. In particular, it may specify the strengths and possible areas for improvement concerning the financial instrument and the asset management company.

**4** / For all asset classes, except private asset closed-ended funds<sup>(2)</sup>, BNP Paribas Wealth Management aims at reviewing each rating at least during the 12 months following the second anniversary of the rating<sup>(3)</sup>. However, in the event of a change in the asset management company's ESG or investment strategy that could affect the overall rating of the financial instrument, the rating is reviewed within two years.

**5** / The rating assigned to each financial instrument is used by the various investment teams (advisory services or discretionary portfolio management) in countries where the methodology has been introduced. Indeed, it is gradually being rolled out in countries where BNP Paribas operates.

**6** / In the event of a controversy, BNP Paribas Wealth Management applies a specific procedure: an analysis is carried out by the teams in charge of the evaluation with the relevant experts in order to establish if and when the rating should be modified.

\* Information checked during Deloitte's due diligence process.

(1) BNP Paribas Wealth Management evaluates the responsibility level of equities and bonds based on the ESG analysis of issuers performed by BNP Paribas Asset Management's Sustainability Centre experts. This analysis corresponds to the quality standards required by BNP Paribas Wealth Management and also guarantees consistency across the BNP Paribas Group.

(2) For these funds, the rating is reviewed at the end of the investment period and in the event of a sustainability incident.

(3) For instance, for a product rated for the last time on 1 November 2023, BNP Paribas Wealth will aim to review its rating before 31 October 2026.

## Concepts common to the methodologies

- Methodologies are continuously improved, in line with the growing consideration of sustainable development challenges in the economy, the transition of the financial sector towards sustainable finance, and related regulations.
- Methodologies incorporate market standards when they exist (see examples on pages 11 and 12 for investment funds, and page 17 for GSS bonds).
- Mandatory criteria are defined for each asset class. Independently of these, a score of 100 is attributed to the fund or the issuer before being converted into Clovers. If the mandatory criteria are not met, then the rating of the financial instrument in Clovers is downgraded (see examples on pages 12-14, 16-17 and 19).
- The sustainability evaluation is performed independently of the financial analysis.
- A score of five Clovers or more makes a financial instrument eligible to be considered for a responsible portfolio or mandate in addition to satisfactory financial characteristics.
- BNP Paribas Wealth Management plans to eventually rate its entire recommended universe. However, it remains dependent on the availability of the information necessary to carry out such evaluations. If insufficient, BNP Paribas Wealth Management reserves the right not to issue an opinion or assign a sustainability rating in Clovers to a financial instrument.
- A zero-Clover rating may be attributed to a financial instrument if it has no (or very few) ESG criteria, conflicts with the financing and investment policies of the BNP Paribas Group, or is involved in a serious controversy. For companies, this corresponds to a controversy rated four or five (out of five) by Sustainalytics. In this case, an analysis is carried out by the teams in charge of the evaluation with the relevant experts in order to establish if and when the Clover rating should be modified.

## Responsibility for evaluation

The Sustainability Office of BNP Paribas Wealth Management is responsible for the Clover evaluations with product experts (specialised in funds, alternative investments, equities, bonds, etc.). For investment funds, the responsibility is also shared with BNP Paribas Asset Management. For equities and bonds, the evaluation is based on information provided by BNP Paribas Asset Management or ISS ESG (see details on page 16).

## Indicators

- BNP Paribas Wealth Management aims to rate the sustainability level of its whole recommended universe. For each asset class and for all asset classes combined, it monitors the number of products it rates, and the percentage of rated financial instruments within the recommended universe. The sustainability arithmetic average in Clovers is also computed to give an overview of the sustainability level of rated products and of the investment universe that can be offered to clients.
- All key performance indicators are calculated and monitored annually and are audited by an independent third party.
- By the end of 2023, BNP Paribas Wealth Management had rated a total of 8,550 products, representing 97.2% of the total recommended assets whose evaluation methodologies are explained in this report (investment funds, equities, bonds and private assets, see page 7 for details). The indicators show a growing proportion of products rated for each asset class and in total. They also show a change in the breakdown of Clover ratings for the overall recommended universe. This change reflects a decline in the arithmetic average of Clover ratings for equities and bonds owing to a revised methodology in 2023 for these asset classes (see details on page 19).





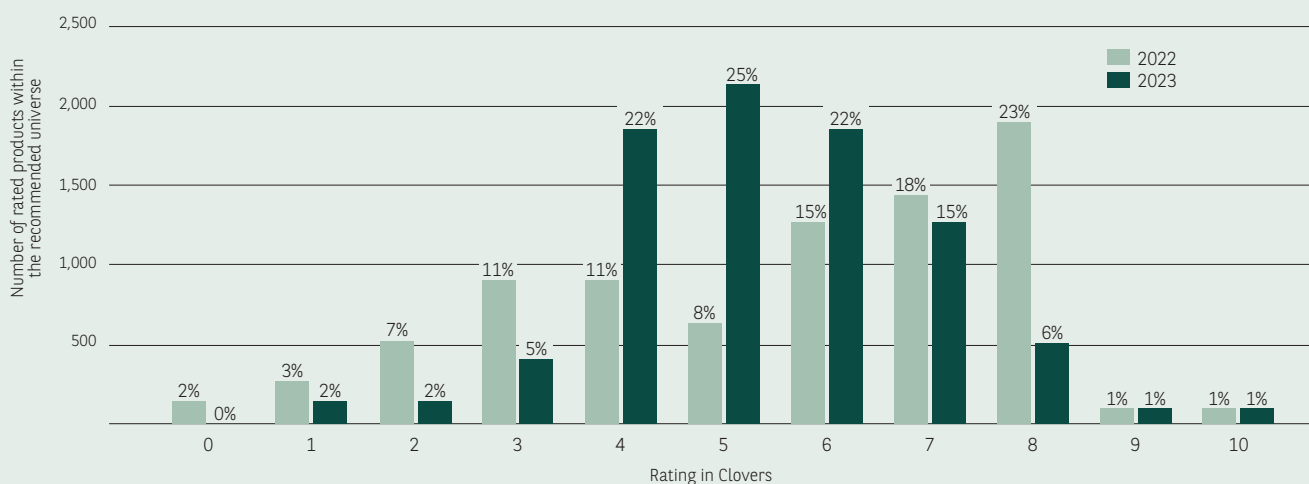
Zero-Clover products are equities and bonds held by BNP Paribas Wealth Management clients that are of low quality in terms of sustainability.

Overall, the small proportion of products rated nine or ten Clovers in 2022 and 2023 indicates that our methodology is demanding, and that equities and bonds cannot obtain a score greater than eight Clovers, except for GSS bonds.

### \*Indicators

	Percentage of rated products within the recommended universe (share of the total number of financial instruments recommended)		Number of rated financial instruments		Sustainability arithmetic average in Clovers	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Investment funds (traditional funds, funds of funds, hedge funds)	84.2%	88.3%	324	393 <sup>(1)</sup>	5.2	5.4
Equities	96.3%	98.7%	1,057	1,041	5.4 <sup>(2)</sup>	5.1 <sup>(2)(3)</sup>
Bonds	97.2%	97.5%	6,715	7,087	5.6 <sup>(2)</sup>	5.4 <sup>(2)(3)</sup>
Private assets	100% <sup>(4)</sup>	100% <sup>(4)</sup>	/ <sup>(5)</sup>	29 <sup>(1)</sup>	/ <sup>(5)</sup>	5.9
<b>Total</b>	<b>96.5%</b>	<b>97.2%</b>	<b>8,096<sup>(6)</sup></b>	<b>8,550</b>	<b>/<sup>(7)</sup></b>	<b>/<sup>(7)</sup></b>

### Breakdown of Clover ratings for the overall recommended universe



\* Information checked during Deloitte's due diligence process. This information should be read and interpreted in conjunction with the reference document, available on demand from the Sustainability Office of BNP Paribas Wealth Management (sri.team@bnpparibas.com).

- (1) In 2023, two open-ended private asset funds showing the characteristics of a long-only fund were rated according to the evaluation methodology of long-only funds. The two funds are therefore counted along with other rated traditional funds. An open-ended fund allows the purchase of securities at any time, which is not the case for closed-ended funds.
- (2) The arithmetic average expressed in Clovers for equities and corporate bonds is provided for indicative purposes because each Clover rating is linked to the peer group of each company (sector and region of activity).
- (3) In 2023, changes were made to the issuer rating methodology. They partly explain the evolution of the arithmetic average in Clovers (see page 19 for details).
- (4) The number of products rated by the Clover methodology for private assets corresponds to the funds launched since 1 January 2022, i.e. the implementation of the methodology for this asset class (except for open-ended funds showing characteristics of long-only funds).
- (5) At end-2022, the total number of private assets rated and the associated arithmetic average in Clovers were not published as the methodology was recent.
- (6) As the number of rated private assets as at end-2022 was not published in the previous report, the total number does not include this asset class.
- (7) As the methodologies assessing the responsibility level of recommended assets differ according to the asset class, an arithmetic average across all asset classes is not relevant in this table.

## Internal controls

- With regard to investment funds and private assets, the rating is systematically subject to a “four eyes verification”<sup>(1)</sup> at each key step of the rating process. For single lines (equities and bonds) automatic checks are carried out.

Once the financial instrument is assessed, in the event of controversy, an analysis is carried out by the teams in charge of the evaluation with the relevant experts in order to establish if and when the rating should be modified. BNP Paribas Wealth Management may identify a controversy via the general or specialised press if it is a public controversy, via an internal or external data provider, or via an alert from an internal analyst or a member of the internal network of Responsible Investment correspondents.

- Other operational controls take place in accordance with the BNP Paribas Group’s risk management policy.

## Updates to evaluation processes

Each methodology change is reviewed by the teams in charge of the ratings (the Sustainability Office, product experts and other entities involved in the evaluation). In addition, when necessary, developments are discussed with Responsible Investment correspondents around the world.

## Limitations of the sustainability Clover rating

### Regulation

The various methodologies were built before regulations on “responsible” financial instruments were introduced, and therefore will continue to progressively integrate future requirements.

Through the Clover evaluation, BNP Paribas Wealth Management is able to analyse in depth the financial instruments offered by asset management companies, and accordingly, can obtain more precise information beyond the regulatory data published by the latter.

The Clover rating scale does not give an exact equivalence for the categories of all applicable regulations (Articles 6, 8 and 9 of the SFDR; ESG MiFID characteristics A, B and C; AMF categories 1, 2 and 3, etc.) while taking into account their requirements. For example, the SFDR classification of investment funds is included in the mandatory criteria associated with the evaluation: investment funds classified as Article 6<sup>(2)</sup> cannot obtain more than four Clovers; and an investment fund must be classified as Article 8 or 9<sup>(3)</sup> under SFDR and take into account at least



two Principal Adverse Impacts (PAI)<sup>(4)</sup> for corporates and one PAI for governments, agencies and supranational organisations, to obtain five or more Clovers.

### Progression

Sustainability evaluation methodologies are regularly updated in connection with the growing consideration of sustainable development challenges in the economy, the transition of the financial sector towards sustainable finance, and related regulations. This makes the Clover assessment relevant over time and serves as a tool for BNP Paribas Wealth Management to encourage financial instrument producers to adopt best practices as sustainable finance expands.

In this way, the comparability between two Clover ratings may be limited if a significant update of the methodology takes place between the two assessments.

This report describes the evaluation methodologies used as at 31 December 2023. These may change during 2024.



### Sources of information

The evaluation of each financial instrument is based on public data and information provided by asset management companies for funds, or by external data providers with respect to the issuer assessment. In view of the large number of asset management companies and issuers involved, BNP Paribas Wealth Management is not able to carry out controls to ensure the coherence of the information provided. Hence, BNP Paribas Wealth Management considers the information it receives to be reliable and cannot be held responsible for any inaccuracies.

### Availability

At the end of 2023, the availability of the sustainability Clover rating to individual clients was not homogeneous in all countries where the BNP Paribas Group is present. However, it will continue to be progressively rolled out in 2024.

- (1) The “four eyes verification” is a control method that involves a third-party review of a task. For the evaluation of traditional investment funds, for example, the evaluation by the lead analyst is validated by another BNP Paribas analyst.
- (2) According to SFDR regulations, investment funds classified as Article 6 integrate ESG risk considerations into the investment decision-making process, or explain why sustainability risk is not relevant, but do not meet the additional criteria applicable to strategies of products classified as Article 8 and Article 9 under SFDR. Source: Eur-Lex.
- (3) Investment funds classified as Article 8 under SFDR promote environmental or social characteristics; while when classified as Article 9, investment funds must report a sustainable investment objective. Source: Eur-Lex.
- (4) For funds investing in equities or corporate bonds, it concerns PAI 10 and 14. PAI 10 refers to the violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. PAI 14 refers to the exposure to controversial weapons (anti-personnel mines, cluster munition, chemical weapons and biological weapons). For funds investing in sovereign bonds, this refers to the PAI 16: “Investee countries subject to social violation”.

# Sustainability rating methodologies for each asset class





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# Investment funds

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## Rating of traditional funds

### Principles

The methodology used to analyse traditional funds, also known as “long-only funds” (active management investment funds that invest in listed assets and consist of long positions), is based on the **degree of consideration given to sustainability challenges by the asset management company and the fund.**

The methodology takes into account SFDR regulations and certain SRI<sup>(1)</sup> labels, such as the French SRI label, the Towards Sustainability label from Febelfin in Belgium and the Luxflag label in Luxembourg.

In addition, it is on the basis of this methodology that the evaluation processes relating to hedge funds and funds of funds were created, with adaptations taking into account the specificities of these financial instruments.

### Sources

The assessment is based on a questionnaire that is sent to the asset management company, additional discussions (if any) with the latter and public documentation. The questionnaire includes open-ended and closed-ended questions, accompanied by justification comments to be completed with sources of information (policies, formalised procedures, etc.). This guarantees a neutral, objective and documented review of the assessment by the analysts at BNP Paribas Wealth Management and BNP Paribas Asset Management.

(1) Sustainable Responsible Investment.

### Different categories of financial instruments

16 categories of funds are identified according to the following characteristics:

- Strategy: multi-sector, thematic;
- The nature of the securities invested: equities, bonds, multi-assets;
- Type of issuer: corporate, government, mixed.

### Characteristics assessed

When applicable, the following areas are considered:

- Responsibility of the asset management company (ESG integration and Corporate Social Responsibility or CSR initiatives);
- Environmental, Social and Governance (ESG) practices and exclusions applied by the fund and the asset management company (quality of ESG analysis, selectivity, monitoring and controls, sector and normative exclusions<sup>(1)</sup>);
- Voting and engagement policies<sup>(2)</sup> related to financial instruments held;
- Transparency of investments and the analysis methodology;
- Relevance and implementation of the sustainability theme;
- Quality of the approach of investing in Green, Social and Sustainability bonds<sup>(3)</sup>;
- Positive impact on society or on the environment.

### Weighting by area

This has been established for each fund category according to the impact that each area may have, for example:

- For bond funds, the voting system based on ESG criteria is not evaluated since a bond does not entitle the holder to a voting right. As a result, the weighting given to transparency, the integration of ESG criteria, and the analysis of the asset management company is increased.
- The analysis of relevance and of the implementation of the sustainability theme that evaluates the quality of stock selection along a defined theme concerns exclusively sustainable thematic funds (and not multi-sector funds).

### Number of criteria assessed

About 150: all the criteria pertaining to the seven areas of assessment (see "Characteristics assessed"<sup>(4)</sup> above).

### Examples of mandatory criteria

- Funds classified as Article 6<sup>(5)</sup> cannot obtain more than four Clovers.
- It is necessary for a fund to be classified as Article 8 or 9<sup>(6)</sup> and to consider at least two Principal Adverse Impacts (PAI)<sup>(7)</sup> for corporates and one PAI for governments, agencies and supranational organisations, to obtain five or more Clovers.
- Certain categories of investment funds certified by Febelfin in Belgium or by the SRI label in France will obtain at least five Clovers because the requirements of the labels correspond to the mandatory criteria defined by BNP Paribas Wealth Management to obtain such rating.

- The formalisation of an impact intent is necessary to obtain nine or more Clovers.
- An impact report (including quantitative and qualitative information) that is made available to clients is needed to obtain 10 Clovers as well as the formalisation of an impact intent for at least one of the United Nations' Sustainable Development Goals (SDGs).

### THEMATIC AND RESPONSIBLE MULTI-SECTOR INVESTMENTS

Responsible investments combine two different approaches that may be subject to specialised portfolios or coexist within the same investment portfolio: the multi-sector approach and the thematic approach.

The responsible multi-sector approach focuses on investing in the most advanced companies (rewarded for their consideration of sustainability challenges<sup>(8)</sup>) in a particular industry. It allows investors to support a company's transition by contributing to the overall improvement of ESG practices, while diversifying their risks by investing in different sectors.

A responsible thematic approach refers to investments in thematic solutions to address social and environmental issues (health, education, water, sustainable transport, responsible real estate, solar energy, energy efficiency of buildings, etc.).

Thematic or multi-sector investments may concern all asset classes.

(1) The United Nations Global Compact for Business and Respect for Democracy or Freedom of the Press for a State, for example.

(2) Voting and engagement refer to the voting rights obtained through the purchase of shares in a company, and to the dialogue with the same company about ESG themes. This is a long-term process aimed at supporting and encouraging players to improve the sustainability aspect of their ESG practices. Source: Eurosif.

(3) Green, Social and Sustainability (GSS) bonds are intended to finance projects that have a positive impact on the environment or society. Green bonds are defined as bonds enabling the financing of environmental projects. Social bonds are used to finance social projects while Sustainability bonds finance social and environmental projects alike.

(4) The questionnaire sent to asset management companies includes single-choice questions (which count as one criterion) and multiple-choice questions (whereby each possible answer counts as a different criterion). For example, the question "What is the percentage of the portfolio that is analysed on the basis of ESG criteria?" requires the analysis of one criterion. The question "In what case(s) does the asset management company engage with invested companies?" with the answer "Before investing" or "In the event of controversy", etc., requires the analysis of one criterion for each answer, with a total of eight.

(5) According to SFDR regulations, investment funds classified as Article 6 integrate ESG risk considerations into the investment decision-making process, or explain why sustainability risk is not relevant, but do not meet the additional criteria applicable to strategies of products classified as Article 8 and Article 9 under SFDR. Source: Eur-Lex.

(6) Investment funds classified as Article 8 under SFDR promote environmental or social characteristics while when classified as Article 9, investment funds must report a sustainable investment objective. Source: Eur-Lex.

(7) For funds investing in equities or corporate bonds, it concerns PAI 10 and 14. PAI 10 refers to the violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. PAI 14 refers to the exposure to controversial weapons (anti-personnel mines, cluster munition, chemical weapons and biological weapons). For funds investing in sovereign bonds, it refers to the PAI 16: "Investee countries subject to social violation".

(8) Refers to "best in class" and "best in universe" approaches.



## Specificities for hedge funds

### Principles

**A**lternative funds (or hedge funds) have the particularity of being comprised of short positions, in addition to long positions usually taken in traditional funds.

For traditional funds, BNP Paribas Wealth Management analyses **the degree of the consideration of sustainability challenges by the asset management company and by the fund.**

In the case of UCITS<sup>(1)</sup> funds with an alternative management strategy, the traditional fund methodology is used to assess the sustainability level of long positions. It also takes into account the characteristics of alternative management **by analysing the level of integration of ESG criteria into the investment decisions of fund managers for short positions.**

### Sources

The assessment is based on a questionnaire sent to the asset management company, additional discussions (if any) with the latter and public documentation.

### Categories of financial instruments

There are several types of hedge funds<sup>(2)</sup>. The methodology takes into account the specificities of each category.

### Characteristics assessed

The areas analysed for alternative investment funds are the same as for traditional investment funds, where applicable.

### Weighting by area

As for the various traditional long-only strategies, the weighting of the different areas depends on the type of hedge fund considered. For long/short equity funds, characterised by the purchase of a share of capital with voting rights, the assessment of the vote on ESG criteria is taken into account (in addition to the review of transparency, the integration of ESG criteria into the fund's strategy, and the analysis of the asset management company). On the other hand, long/short credit funds have holdings with no voting rights attached. As a result, the weighting of this area in the ESG rating is allocated to other assessed areas.

### Number of criteria assessed

More than 150<sup>(3)</sup>

### Mandatory criteria

In addition to the mandatory criteria established for traditional funds, mandatory criteria specific to hedge funds are applied, depending on the type of the hedge fund:

- For a long/short equity, a long/short credit or an event-driven fund to be granted five or more Clovers, the average holding period of a fund's short positions must be more than three months, and they must be motivated (at least occasionally) by ESG considerations. This criterion ensures that the fund's short positions take into account ESG criteria.
- For a global macro fund to obtain five or more Clovers, the ESG ratings of issuers must determine the weighting of the securities in the portfolio and the fund must exclude issuers on the basis of at least one normative standard<sup>(4)</sup>.

### Specific cases

Some alternative investment funds currently take less account of certain sustainability dimensions and are therefore assessed using a decision tree focusing on the first set of mandatory criteria. The funds will thus be rated up to three Clovers. In the event of a fund being attributed three Clovers, it will be subject to a thorough analysis.

(1) Undertakings for Collective Investment in Transferable Securities (UCITS) Directives are a set of measures established by European Union directives, aiming to allow investment funds to operate freely in any EU country, with a distribution subject to national constraints stipulated by governments and local regulators.

(2) Global macro, CTA, long/short credit, long/short equity, event-driven.

(3) The number of criteria is counted in the same way as for long-only funds (see previous page for details). An example of a question specific to the analysis of hedge funds is: "In addition to the traditional analysis, how often do short positions take into consideration ESG criteria?" with one answer: "Always", "Often", "Sometimes" or "Never" (one criterion).

(4) The United Nations Global Compact for Business and Respect for Democracy or Freedom of the Press for a State, for example.



## Specificities for funds of funds

### Principles

As its name indicates, a fund of funds has the particularity of encompassing several funds. The evaluation methodology for this type of financial instrument is identical to that of a traditional fund when analysing an asset management company. However, when analysing a fund of funds, the assessment looks at how the asset management company analyses and filters the underlying funds (and not the issuers) in their investment universe.

### Sources

The assessment is based on a questionnaire sent to the asset management company, additional discussions (if any) with the latter and public documentation.

### Categories of financial instruments

There are several categories of funds of funds<sup>(1)</sup>. The methodology takes into account the specificities of each type of fund of funds.

### Number of criteria assessed

More than 110<sup>(2)</sup>

### Characteristics assessed

The areas analysed for alternative investment funds are the same as for traditional investment funds, except for the area pertaining to the quality of Green, Social and Sustainability (GSS) bonds that does not apply.

### Weighting by area

The weight of each analysed area differs according to the four identified categories of funds of funds. Nevertheless, for each category, the “ESG and exclusions” area has the largest weight since the sustainability level of the financial instrument is based primarily on these factors.

### Mandatory criteria

Examples of mandatory criteria for traditional funds (listed on page 12) also apply to funds of funds. Other mandatory criteria have been adapted or eliminated in order to take into account the specificities of funds of funds.

## \*Indicators concerning all investment funds: traditional funds, alternative funds and funds of funds

	As at 31.12.2022	As at 31.12.2023
Percentage of rated investment funds within the recommended universe (share of the total number of financial instruments recommended)	84.2%	88.3%
Number of rated investment funds	324	393 <sup>(3)</sup>
Sustainability arithmetic average in Clovers	☹☹☹☹☹ 5.2	☹☹☹☹☹☹ 5.4

\* Information checked during Deloitte’s due diligence process.

(1) Internal funds of funds, mixed funds of funds comprising both internal and external funds, internal and thematic funds of funds, and mixed and thematic funds of funds.  
 (2) The number of criteria is counted in the same way as for traditional funds (see previous page for details). Examples of questions specific to the analysis of funds of funds are: “Is the selection of funds constrained by an ESG analysis?” (one criterion); “In what case(s) does the fund of funds manager engage with the managers of the underlying funds on sustainability themes?”, with one or several answers: “Before investing” or “If the sustainability rating of an underlying fund deteriorates” etc. (one criterion for each defined answer, with a total of seven).  
 (3) In 2023, two open-ended private asset funds showing the characteristics of a long-only fund were rated according to the evaluation methodology of long-only funds. The two funds are therefore counted along with other rated traditional funds. An open-ended fund allows the purchase of securities at any time, which is not the case for closed-ended funds.





# Equities and bonds

**A**n equity, share or stock is a title of ownership issued by a joint-stock company. The holder is given ownership of a portion of the capital and associated rights (for example being involved in the running of the company and receiving an income called a “dividend”). A bond is a security that confers a claim on its issuer, and is therefore representative of a medium- or long-term financial debt. It entitles the creditor to receive from the issuer the payment of a fixed or variable interest, called a “coupon”.

**The sustainability assessment of equities and bonds by BNP Paribas Wealth Management is based on the evaluation of the issuer (e.g. corporate, government, agency, supranational organisation).**

For corporates, the assessment consists of an Environmental, Social and Governance (ESG) analysis carried out by BNP Paribas Asset Management’s Sustainability Centre experts. This analysis corresponds to the quality standards required by BNP Paribas Wealth Management, and guarantees consistency across the BNP Paribas Group.

## Rating of issuers

### Principles

The methodology focuses on the analysis of ESG practices of issuers.

Each issuer is assigned a total rating out of 100 that is consequently converted into Clovers. For a company, the score out of 100 is attributed after comparing its ESG performance with that of all other companies in its peer group (same sector and region of activity<sup>(1)</sup>).

### Sources

- For each company, BNP Paribas Wealth Management receives an ESG rating from BNP Paribas Asset Management. The latter performs an initial quantitative analysis based on raw ESG data obtained via independent data providers (mainly Sustainalytics and ISS ESG). This can be supplemented by a qualitative review which may result in a bonus or malus in the issuer's rating. This decision is based on discussions held between BNP Paribas Asset Management and the company.
- For governments, agencies and supranational organisations, BNP Paribas Wealth Management receives ESG data directly from ISS ESG that are then converted into Clovers for each issuer.

### Characteristics assessed

- The assessment process pays attention to the issuer's CO<sub>2</sub> emissions and the risk of controversies, based on the ratings of controversies by Sustainalytics for companies (from zero to five, with five representing a "very severe" controversy) and ISS ESG for governments, agencies and supranational organisations.
- For example, for companies and governments, the evaluation indicators analyse the improvement of energy efficiency and waste treatment as well as the respect of workers' rights and working conditions. Internal audit mechanisms and the independence of the Board of Directors at companies are also analysed.

### Calculation method by type of issuer

- For companies, the score out of 100 is attributed after comparing its ESG performance with that of all other companies in its peer group (same sector and region of activity).
- On the other hand, for governments, agencies and supranational organisations, the calculation of the issuer's rating is made independently from the ESG performance of other issuers.

### Number of criteria assessed



Approximately 30 for companies and 100 for governments, agencies and supranational organisations<sup>(2)</sup>.

### Examples of mandatory criteria

To obtain at least one Clover, a company must comply with the Group's sector policies and exclusion list as well as with BNP Paribas Asset Management's Responsible Business Conduct.

## Rating of equities



The assessment of equities automatically derives from the issuer's rating. However, it cannot exceed eight Clovers.

*INDICATORS	As at 31.12.2022	As at 31.12.2023
Percentage of rated equities within the recommended universe (share of the total number of financial instruments recommended)	96.3%	98.7%
Number of rated equities	1,057	1,041
Sustainability arithmetic average in Clovers	 5.4 <sup>(3)</sup>	 5.1 <sup>(3)(4)</sup>

\* Information checked during Deloitte's due diligence process.

## Rating of bonds

As for equities, the evaluation of a bond automatically derives from the issuer's rating, but it cannot exceed eight Clovers. Therefore, equities and bonds of the same issuer will obtain the same sustainability rating. However, there is an exception for Green, Social, and Sustainable (GSS) bonds: they can be rated higher than their issuer and more than eight Clovers, depending on the quality of the underlying project(s).

*INDICATORS	As at 31.12.2022	As at 31.12.2023
Percentage of rated bonds within the recommended universe (share of the total number of financial instruments recommended)	97.2%	97.5%
Number of rated bonds	6,715	7,087
Sustainability arithmetic average in Clovers	 5.6 <sup>(3)</sup>	 5.4 <sup>(3)(4)</sup>

\* Information checked during Deloitte's due diligence process.

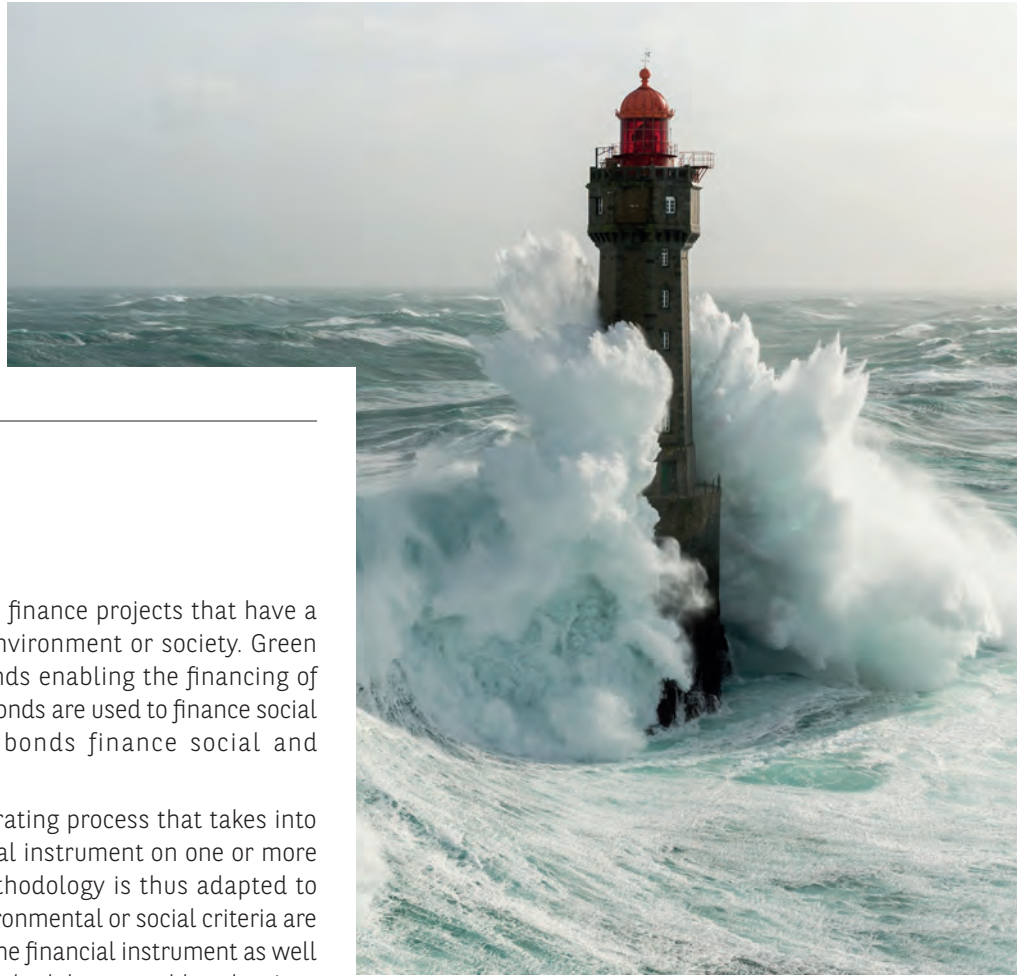
(1) Market on which the company is listed.

(2) For companies, BNP Paribas Asset Management analyses Environmental, Social and Governance criteria. More specifically, these criteria may relate to climate change, the management of environmental risks, the use of natural resources and health & safety. Performance, policies or incidents are analysed, depending on the criteria.

For governments, agencies and supranational organisations, ISS ESG also analyses Environmental, Social and Governance criteria, for example, the responsible use of natural resources, the energy mix, access to healthcare, access to education, access to free and transparent elections as well as the absence of corruption.

(3) The arithmetic average expressed in Clovers for equities and corporate bonds is provided for indicative purposes because each Clover rating is linked to the peer group of each company (sector and region of activity).

(4) In 2023, changes were made to the issuer rating methodology. They partly explain the evolution of the arithmetic average in Clovers (see page 19 for details).



## Particularities of GSS bonds

### Principles

**G**SS bonds are intended to finance projects that have a positive impact on the environment or society. Green bonds are defined as bonds enabling the financing of environmental projects. Social bonds are used to finance social projects and Sustainability bonds finance social and environmental projects alike.

These bonds require a specific rating process that takes into account the focus of the financial instrument on one or more sustainability themes. The methodology is thus adapted to analyse the extent to which environmental or social criteria are considered in the structuring of the financial instrument as well as the intended impact. The methodology notably takes into account the analysis of the underlying project(s) financed by the issued bond.

### Sources

The analysis is based on data from:

- BNP Paribas Asset Management for the rating of corporate issuers and ISS ESG for governments, agencies and supranational organisations;
- BNP Paribas Asset Management for the analysis of GSS bonds.

### Characteristics assessed

- The green bond analysis is based on the Green Bond Principles of the International Capital Market Association (ICMA) that examine the following three areas: use of proceeds that specify the project(s) being financed, the management of the project's funding, and the impact report (where applicable). Similarly, the methodology is based on the ICMA Social Bond Principles and the Sustainability Bond Guidelines, respectively for Social Bonds and Sustainability Bonds.

- The evaluation methodology takes into account the country where the bond was issued. As emerging markets are generally less mature than developed countries for ESG practices, GSS bonds issued in emerging markets generally score less. The required threshold for being included in the recommended universe is therefore lower for bonds issued in emerging markets.

### Example of mandatory criteria

The issuer must be able to report on the progress of the project no later than one year after the issuance of its bond. Otherwise, the bond shall be removed from BNP Paribas Wealth Management's recommended universe.



# Private assets

## Principles

Private assets cover private equity, private real estate, private infrastructure and private debt. They have the specificity of offering unlisted financial instruments through funds that are generally illiquid and which have limited subscription periods. They are also known as “closed-ended funds”. **Therefore, assessing their level of sustainability requires a different methodology to the ones applied to listed financial instruments (e.g. funds, equities).** The analysis of the financial instrument results in a score out of 100 that is converted into Clovers.

## Sources

The analysis is based on documentation provided by the fund’s asset management company, as well as discussions with its investment and ESG teams.

## Categories of financial instruments

This methodology applies to closed-ended funds and some open-ended funds invested in private assets<sup>(1)</sup>. When an open-ended private asset fund shows the characteristics of a long-only fund, the evaluation methodology of the long-only fund is applied<sup>(2)</sup>.

### Characteristics assessed

- The fund's management company and how it takes into account sustainable development challenges;
- The portfolio management policy, in particular the efforts made to monitor and improve the performance of the portfolio's ESG criteria;
- Measurement, publication and improvement of impact criteria, an area required only when it is an impact fund.

## Weighting by area


The score out of 100 assigned to each product depends on 40% of the first area, 40% of the second and 20% of the third.

### Number of criteria assessed

40<sup>(3)</sup>

### Mandatory criterion

In line with the rating methodologies for traditional funds, if a private asset based in the EU is defined by the management company as complying with Article 6 of the SFDR regulation, it cannot obtain a rating of more than four Clovers.

*Indicators	As at 31.12.2022	As at 31.12.2023
Percentage of private assets rated within the recommended universe since 01.01.2022 <sup>(4)</sup>	100% <sup>(5)</sup>	100% <sup>(5)</sup>
Number of private assets rated since 01.01.2022 <sup>(4)</sup>	/(6)	29 <sup>(7)</sup>
Sustainability arithmetic average in Clovers	/(6)	 5.9

\* Information checked during Deloitte's due diligence process.

(1) Unlike a closed-ended fund, an open-ended fund allows the purchase of securities at any time.

(2) As such, these funds are counted along with other rated traditional funds (see page 14).

(3) A total of 40 questions are analysed to assess the responsibility level of a private asset. Each question corresponds to one criterion, e.g. "At what stage of the due diligence process are ESG criteria taken into account?" (one criterion).

(4) Date of implementation of the methodology for private assets.

(5) The share of products rated by the Clover methodology for private assets corresponds to the funds launched since 1 January 2022, i.e. the implementation of the methodology for this asset class (except for open-ended funds showing characteristics of long-only funds).

(6) At end-2022, the total number of private assets rated and the associated arithmetic average in Clovers were not published as the methodology was recent.

(7) In 2023, two open-ended private asset funds showing the characteristics of a long-only fund were rated according to the evaluation methodology of long-only funds. The two funds were therefore counted along with other rated traditional funds.

## Changes to the methodologies

### Latest developments

- Since its creation in 2010, the Clover rating evaluation, originally developed to evaluate only responsible funds, has been adapted to rate the sustainability level of all financial instruments, whether they are considered to be responsible or not. It was also gradually extended to all asset classes by the end of 2021 and is now being continuously strengthened. By the end of 2023, 97.2% of the total recommended assets whose evaluation methodologies are explained in this report (investment funds, equities, bonds and private assets) had been rated.
- In 2023, adjustments were made to the rating methodology of issuers that is linked to the rating of equities and bonds, in order to be more aligned with BNP Paribas Asset Management. This led to a change in the method of converting the score of

issuers (out of 100) into Clovers. The conversion is no longer made into a percentile, according to a defined correlation table, but rather into dozens. Hence, a score of 56/100 is now equal to five Clovers.

### Ongoing developments in 2024

- BNP Paribas Wealth Management is substantially updating the sustainability rating methodologies for ETFs and structured products. The goal is to strengthen them in line with the growing consideration of sustainable development challenges in the economy, the transition of the financial sector towards sustainable finance, and related regulations. The methodologies associated with these asset classes are therefore not presented in this year's report.
- The evaluation methodology for investment funds is undergoing a thorough review. The revised methodology will be presented in next year's report.

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# Limited assurance report of one of the Statutory Auditors on selected information published in the Clover rating report of BNPP Paribas Wealth Management

## Year ended December 31, 2023

*This is a free English translation of the report by one of the Statutory Auditors issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

To the Executive Management,

Pursuant to your request and in our capacity as Statutory Auditor of BNP Paribas SA (hereinafter the "Company"), we performed a review with the aim of providing limited assurance on the information selected by the Company and identified in the Clover rating report (hereinafter "the Information<sup>(1)</sup>") for financial year ended December 31, 2023.

## Conclusion

Based on the procedures we have performed as described under the paragraph "Nature and scope of procedures", and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Information is not prepared, in all material respects, in accordance with the criteria and procedures used by the Company (hereinafter "the Guidelines").

## Preparation of the Information

The absence of a generally accepted and commonly used reference framework or established practices on which to base the assessment and measurement of the Information enables the use of different but acceptable measurement techniques that may impact comparability between entities and over time.

Accordingly, the Information must be read and interpreted with reference to the Guidelines, available *on request from the Sustainability Office of BNPP Paribas Wealth Management*.

## Limits inherent in the preparation of the Information

The Information may be subject to uncertainty inherent to the state of scientific and economic knowledge and the quality of external data used. Some data is sensitive to the choice of methodology and the assumptions and/or estimates used for its preparation and presented in sections "Limitations of the sustainability Clover rating" and "Details of methodologies associated with the sustainability rating of each asset class" of the "Clover rating report".

### (1) Qualitative information

- Information provided in the section "Key steps for assessing the sustainability level of each financial instrument"

### Quantitative information

- Percentage of rated products within the recommended universe (share of the total number of financial instruments recommended)
- Number of rated financial instruments (excluding private assets)
- Sustainability arithmetic average in Clovers (excluding private assets)

*Quantitative indicators are cumulated numbers for each asset class: investment funds, equities, bonds, and private assets, which include private equity, private debt, private real estate, and private infrastructure.*

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## Responsibility of the Company

The Company is responsible for:

- Selecting or establishing suitable criteria and procedures for preparing the Guidelines;
- Preparing the Information in accordance with the Guidelines;
- Implementing internal control relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

## Responsibility of the Statutory Auditor

The conclusion presented in this assurance report only covers the Information.

Based on our work, we are responsible for:

- Expressing limited assurance on the fact that the Information has been prepared, in all material respects, in accordance with the Guidelines and are free from material misstatement, whether due to fraud or error;
- Forming an independent opinion, based on the evidence we have obtained; and
- Reporting our opinion to the management of the Company.

As it is our responsibility to issue an independent conclusion on the Information prepared by the Company, we are not authorised to participate in the preparation of the Information, as this could compromise our independence.

## Applicable regulatory provisions and professional guidance

The work described below was performed in accordance with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with the international standard ISAE 3000 (revised) “*Assurance Engagements other than Audits and Reviews of Historical Financial Information*” issued by the IAASB (International Auditing and Assurance Standards Board).

## Independence and quality control

Our independence is defined by regulatory texts (article L.822-11 of the French code de commerce), and the French Code of Ethics for Statutory Auditors (*code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures aimed at ensuring compliance with applicable legal and regulatory requirements, professional ethical requirements, and French professional standards applicable for this assignment.

## Nature and scope of procedures

We planned and performed our work in order to express a reasonable assurance regarding the following Information:

Qualitative information

- Information provided in the section “Key steps for assessing the sustainability level of each financial instrument”;

Quantitative information

- Percentage of rated products within the recommended universe (share of the total number of financial instruments recommended);

- 
- Number of rated financial instruments;
  - Sustainability arithmetic average in Clovers.

The nature, timing and extent of procedures selected depend on professional judgment, including the assessment of risks of material misstatement, whether due to fraud or error, in the Information.

We:

- assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability;
- verified the set-up of a process to collect, compile, process, and check the completeness and consistency of the Information;
- interviewed the relevant staff from the Company's Departments at its headquarters and for a selection of contributing entities in order to analyse the deployment and application of the Guidelines;

- performed analytical procedures on the Information and verified, the calculations as well as the consolidation of the data and the consistency of its evolution;
- carried out substantive tests using sampling techniques, for a representative selection of entities that we selected to verify the correct application of the definitions and procedures and reconcile data with supporting evidence.


We consider that the sampling techniques and sample sizes we have used in exercising our professional judgement enable us to express our conclusion. The procedures conducted in a limited assurance review are substantially less in scope than those required to issue a reasonable assurance opinion in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*); a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, June 6, 2024  
One of the Statutory Auditors,  
Deloitte & Associés

Laurence Dubois  
Partner, Audit

Julien Rivals  
Partner, Sustainability





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