

BNP Paribas Funds

Luxembourg SICAV – UCITS category
Registered office: 10 rue Edward Steichen, L-2540 Luxembourg
Luxembourg Trade and Companies Register n° B 33363

Notice to shareholders

Luxembourg, February 11, 2021,

Dear Shareholders,

We hereby inform you of the following changes incorporated in the next version of the prospectus, dated February 2021.

All these changes relate to the integration of ESG characteristics in the investment process of your sub-funds and will be effective on **February 19th, 2021**.

CHANGES APPLICABLE TO ALL SUB-FUNDS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

In order to comply with the Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, also known as the Sustainable Finance Disclosure Regulation (**SFDR**) and enhance clarification and transparency as regards the extra-financial approach performed by your Company, several wordings have been added either in the “Sustainable Investment Policy” section in Book I and/or directly in the investment policy of some sub-funds.

All these changes and required disclosures have no material financial impact on your investment, as ESG criteria are already included in the investment process of each sub-fund.

Sustainable Investment Policy

In this context, the presentation of the “Sustainable Investment Policy” section in Book I will be performed as follows:

BNP PARIBAS ASSET MANAGEMENT’s Global Sustainability Strategy governs the approach to sustainable investment, which consists of the implementation of ESG integration, responsible business conduct standards and stewardship activities (as defined below) into the investment processes applied by the investment managers of each sub-fund.

ESG stands for Environmental, Social and Governance; these are criteria commonly used to assess the level of sustainability of an investment.

BNP PARIBAS ASSET MANAGEMENT is committed to have a sustainable investment approach for its investments. Nonetheless, the extent and manner in which this sustainable investment approach is applied varies according to the type of sub-fund, asset class, region and instrument used. Furthermore, some sub-funds may apply additional investment guidelines, as described in the Book 2. Consequently, the implementation of the sustainable investment approach applies individually across all portfolios. Therefore, the sub-fund’s extra-financial score is compared to the one of the investment universe, being the main securities and geographical areas targeted by each sub-fund, except if otherwise provided in Book II.

Unless specified in Book II, the extra-financial analysis coverage of each sub-fund must be at least (the “Minimum Extra-Financial Analysis”):

- *90% of its assets for equities issued by large capitalisation companies whose registered office is located in "developed" countries, debt securities and money market instruments with an investment grade credit rating, sovereign debt issued by developed countries ; or*
- *75% of its assets for equities issued by large capitalisations whose registered office is located in "emerging" countries, equities issued by small and medium capitalisations, debt securities and money market, instruments with a high yield credit rating and sovereign debt issued by "emerging" countries.*



BNP PARIBAS
ASSET MANAGEMENT

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The sustainable investment approach is incorporated at each step of the investment process of each sub-fund and includes the following elements:

- **Responsible business conduct standards:** As defined in the BNP PARIBAS ASSET MANAGEMENT's Responsible Business Conduct policy ("RBC"). They include respecting: 1) norms-based screens, such as the UN Nations Global Compact principles and OECD Guidelines for Multinational Enterprises, and 2) BNP Paribas Asset Management sector policies.
 - 1) **Norms-based screens:** The United Nations Global Compact (www.unglobalcompact.org) defines 10 principles for businesses to uphold in the areas of human rights, labour standards, environmental stewardship and anti-corruption. Similarly, the OECD Guidelines for Multinational Enterprises sets out principles for the responsible business conduct of businesses. These two shared frameworks are recognized worldwide and applicable to all industry sectors. Companies that violate one or more of the principles are excluded from the sub-funds' investments, and those at risk of breaching them are closely monitored, and may also be excluded.
 - 2) BNP PARIBAS ASSET MANAGEMENT has also defined a series of guidelines relating to investments in sensitive sectors, listed in the RBC. Companies from these sensitive sectors that do not comply with the minimum principles specified in these guidelines are excluded from the sub-funds' investments. The sectors concerned include, but are not limited to, palm oil, wood pulp, mining activities, nuclear, coal-fired power generation, tobacco, controversial weapons, unconventional oil and gas and asbestos.
- **ESG integration:** It involves the evaluation of the below three non-financial criteria at the level of the companies in which the sub-funds invest:
 - Environmental: such as energy efficiency, reduction of emissions of greenhouse gases, treatment of waste;
 - Social: such as respect of human rights and workers' rights, human resources management (workers' health and safety, diversity);
 - Governance: such as Board of Directors independence, managers' remuneration, respect of minority shareholders rights.

ESG scores, as defined by an internal proprietary framework, can be made available to assist in the ESG evaluation of securities' issuers. ESG integration is systematically applied to all investment strategies. The process to integrate and embed ESG factors in the investment decision-making processes is guided by formal ESG Integration Guidelines. However, the way and the extent to which ESG integration, including ESG scores, is embedded in each investment process is determined by its Investment Manager, who is fully responsible in this respect.
- **Stewardship:** It is designed to enhance the long-term value of shareholdings and the management of long-term risk for clients, as part of BNP PARIBAS ASSET MANAGEMENT's commitment to act as an efficient and diligent steward of assets. Stewardship activities include the following categories of engagement:
 - **Company Engagement:** the aim is to foster, through dialogue with companies, corporate governance best practices, social responsibility and environmental stewardship. A key component of company engagement is voting at annual general meetings. BNP PARIBAS ASSET MANAGEMENT publishes detailed proxy-voting guidelines on a range of ESG issues.
 - **Public Policy Engagement:** BNP PARIBAS ASSET MANAGEMENT aims to embed sustainability considerations more fully into the markets in which it invests and in the rules that guide and govern company behavior as per its Public Policy Stewardship Strategy.

Methodological limitations

Applying an extra-financial strategy may comprise methodological limitations such as the "Environmental, Social and Governance (ESG) Investment Risks" as defined in the appendix 3 of this Prospectus.

In the event the extra-financial criteria as specified above or in Book II for any sub-fund are no longer met from time to time, the Investment Manager will promptly adjust the portfolio in the best interest of the shareholders.

Resulting classification

Consequently, the sub-funds can be classified as "Sustainable" or "Sustainable Plus":

- **"Sustainable"** means that the sub-funds are submitted to the above-mentioned sustainable investment approach; this category covers all the sub-funds of the Company;
- **"Sustainable Plus"** means that in addition to the above-mentioned sustainable investment approach, these sub-funds also have more specific sustainability guidelines or restrictions as specified below and in book 2.

BNP PARIBAS ASSET MANAGEMENT has implemented a specific taxonomy for **"Sustainable Plus"** sub-funds, as follows:

- ⇒ **Enhanced ESG:** These sub-funds implement more explicit ESG tilts (Invest in the most sustainable companies according to specific criteria and/or incorporating a wider range of exclusions) leading to more stringent ESG and/or Carbon performance targets
- ⇒ **Thematic:** These sub-funds invest in companies that provide products and services providing concrete solutions to specific environmental and/or social challenges, seeking to benefit from future growth anticipated in these areas while contributing capital towards the transition towards a low-carbon, inclusive economy
- ⇒ **Impact:** these sub-funds invest with the intention to contribute to measurable positive social and/or environmental impact alongside financial returns

Categorization as per SFDR

According to SFDR, sub-funds shall be classified into 3 categories:

⇒ Sub-funds having a sustainable investment as their objectives (referred to as “**Article 9**”): Sustainable investment is defined as an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

All the Article 9 sub-funds are part of the “Sustainable Plus” category and listed in the below table.

⇒ Sub-funds promoting environmental or social characteristics (referred to as “**Article 8**”): These sub-funds promote among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

All the Article 8 sub-funds are categorized either as “Sustainable” or “Sustainable Plus”.

⇒ All the sub-funds of the Company are categorized as Article 8 or Article 9, except for the sub-funds comprised in the below listed category, which are all “Sustainable”:

“Absolute Return Global Opportunities”, “Absolute Return Multi-Strategy”, “Asia ex-Japan Bond”, “Asia ex-Japan Small Cap”, “Emerging Bond”, “Emerging Bond Opportunities”, “Euro Inflation-Linked Bond”, “Europe Small Cap Convertible”, “Flexible Opportunities”, “Global Inflation-Linked Bond”, “Harmony”, “Japan Small Cap”, “Local Emerging Bond”, “Pacific Real Estate Securities”, “Premia Opportunities”, “RMB Bond”, “Seasons”, “Target Risk Balanced”.

CHANGES APPLICABLE TO SOME SUB-FUNDS (BOOK II)

CHANGE OF NAMES AND UPDATE OF THE “SUSTAINABLE INVESTMENT POLICY” SECTION

In order to clarify the ESG Integration process and to reflect the level of integration, the names and/or the section “Sustainable Investment Policy” of some sub-funds will change, as indicated in the below table:

Sub-funds	New “Sustainable Investment Policy” section
<ul style="list-style-type: none"> - Aqua - Climate Impact - Global Environment - SMaRT Food 	<p>The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance (ESG) criteria in the investment process of the sub-fund, falling under the Sustainable Plus/Thematic category, as set out in Book I.</p> <p>The ESG analysis applies to at least 90% of the issuers in the portfolio and along with its thematic focus leads to a reduction of at least 20% of the investment universe, being the large and mid-cap companies across the main markets of developed countries. This approach is supported by an active program of engagement with companies on a range of ESG factors, as well as proxy voting. Impact measurement and reporting* is also undertaken to provide post-investment evidence of the intention to help accelerate the transition to a more sustainable economy.</p> <p><i>*The impact report is available on the following link: [...]</i></p>
<p>Green Bond</p>	<p>The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance (ESG) criteria in the investment process of the sub-fund, falling under the Sustainable Plus/Impact category, as set out in Book I.</p> <p>The sub-fund invests at least 90% of its assets (excluding investments in cash and cash equivalents) in securities issued by issuers that have an ESG score assessed using the internal methodology, as set out in Book I.</p> <p>The investment universe of this sub-fund is based on the Green Bond Principles (“GBP”)* as formulated by the International Capital Market Association (more information on these principles are available in the following website: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/). Furthermore, issuers and underlying projects are screened using a proprietary green bond assessment methodology. Issuers with poor ESG practices and policies, and issuers with severe ESG controversies are excluded. Underlying projects not aligned with a proprietary taxonomy of eligible activities or having high negative externalities are also excluded from the investment universe. The following recommendations are issued for green bonds:</p> <ul style="list-style-type: none"> • Positive: issuers having a good score • Neutral: issuers having a medium score • Negative: issuers having a poor score <p>The Investment Manager may not invest in green bonds with a negative recommendation.</p>

Sub-funds	New “Sustainable Investment Policy” section
<p>Green Tigers</p>	<p>The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance (ESG) criteria in the investment process of the sub-fund, falling under the Sustainable Plus/Thematic category, as set out in Book I.</p> <p>The ESG analysis applies to at least 90% of the issuers in the portfolio and along with its thematic focus leads to a reduction of at least 20% of the investment universe, being the large and mid-cap companies across the main markets of Asian countries. This approach is supported by an active program of engagement with companies on a range of ESG factors, as well as proxy voting. Impact measurement and reporting* is also undertaken to provide post-investment evidence of the intention to help accelerate the transition to a more sustainable economy.</p> <p><i>*The impact report is available on the following link: [...]</i></p>
<ul style="list-style-type: none"> - Euro Low Vol Equity (to be renamed Sustainable Euro Low Vol Equity) - Euro Multi-Factor Corporate Bond (to be renamed Sustainable Euro Multi-Factor Corporate Bond) - Euro Multi-Factor Equity (to be renamed Sustainable Euro Multi-Factor Equity) - Europe Multi-Factor Equity (to be renamed Sustainable Europe Multi-Factor Equity) - Global Multi-Factor Equity (to be renamed Sustainable Global Multi-Factor Equity) - Japan Multi-Factor Equity (to be renamed Sustainable Japan Multi-Factor Equity) - US Multi-Factor Corporate Bond (to be renamed Sustainable US Multi-Factor Corporate Bond) - US Multi-Factor Equity (to be renamed Sustainable US Multi-Factor Equity) -US Value Multi-Factor Equity (to be renamed Sustainable US Value Multi-Factor Equity) 	<p>The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance (ESG) criteria in the investment process of the sub-fund, falling under the Sustainable Plus/Enhanced ESG category, as set out in Book I.</p> <p>The sub-fund applies binding and significant ESG integration approach and improves its ESG profile while aiming at reducing its environmental footprint, as measured by greenhouse gas emissions, compared to the investment universe.</p> <p>Scores related to ESG and carbon footprint are calculated for each issuer of the investment universe. The portfolio is then constructed to select the best securities available in order to consistently achieve the following targets:</p> <ul style="list-style-type: none"> • a portfolio's ESG score higher than the ESG score of the investment universe after eliminating at least 20% of the least well-rated securities, and • a portfolio's carbon footprint at least 50% lower than the carbon footprint of the investment universe. <p>In order to meet the environmental or social characteristics promoted, the sub-fund invests at least 90% of its assets in securities issued by companies that have an ESG score and assessment of their carbon footprint.</p> <p>Furthermore, the sub-fund does not invest in:</p> <ul style="list-style-type: none"> • companies that are part of the 10% lowest ESG scores of the investment universe, assessed in accordance with the ESG Scores methodology referred to in Book I; • companies that does not comply with BNP Paribas Asset Management’s Responsible Business Conduct Standards, as set out in Book I.
<ul style="list-style-type: none"> - Europe Real Estate Securities - Global Real Estate Securities 	<p>The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance (ESG) criteria in the investment process of the sub-fund, falling under the Sustainable Plus/Enhanced ESG category, as set out in Book I.</p> <p>The sub-fund invests at last 90% of its assets in securities issued by companies that have an ESG score and carbon footprint assessed using an internal proprietary methodology, as set out in Book I. The internal ESG scoring methodology, as set out in Book I, places a strong emphasis on the Environmental pillar (at least 45% of total weight), with a critical focus on Climate Change metrics, in particular companies' physical climate risk management, share of green buildings and green buildings investments.</p> <p>The average portfolio ESG score of the sub-fund is higher than the one of its investment universe.</p>
<p>Europe Value (to be renamed Sustainable Europe Value)</p>	<p>The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance (ESG) criteria in the investment process of the sub-fund, falling under the Sustainable category, as set out in Book I.</p> <p>The sub-fund invests at least 90% of its assets in securities issued by companies that have an ESG score.</p> <p>The average portfolio ESG score of the sub-fund is higher than the one of its investment universe after eliminating at least 20% of the least well-rated securities.</p>

Sub-funds	New “Sustainable Investment Policy” section
<p>Sustainable Enhanced Bond 12M</p>	<p>The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance (ESG) criteria in the investment process of the sub-fund, falling under the Sustainable Plus/Enhanced ESG category, as set out in Book I.</p> <p>The sub-fund invests at least 90% of its assets in securities issued by issuers that have an ESG score and at least 20% of the investment universe, being bonds issued by private issuers from the Eurozone and having a maturity between 1 to 3 years, is eliminated on the basis of low ESG scores and/or sector exclusions.</p> <p>SRI research analysts focus on ESG, i.e. environmental (E), social (S) and governance (G) criteria using the “Best-in-Class” approach, in order to identify the leading companies in their sector. The investment universe consists of companies that respect financial and extra-financial filters, such as compliance with sectoral policies on controversial activities; exclusion of companies that repeatedly contravene at least one of the 10 Principles of the United Nations Global Compact, excluding companies with a turnover of more than 10% in controversial activities such as alcohol, tobacco, arming, gambling, pornography; exclusion of companies with the lowest ESG practices within each business sector (elimination of the last 3 ESG deciles). Regarding the issuer's ESG practices, the stock selection method is carried out by a team of dedicated analysts, based on the following criteria (not exhaustive): global warming and the fight against greenhouse gas emissions, employment and restructuring management, accidents at work, training policy, remuneration, the independence of the Board of Directors from senior management.</p> <p>With regards to sovereign debt instruments, instruments guaranteed by states* and development banks a first filter of ethical criteria such as respects of human rights, biodiversity and health is applied is applied by SRI research analysts. A second filter focusing on ESG criteria (education, fight against exclusion...) as well as an analysis of public institutions (freedom of press, fight against corruption...) using a “Best-in-Class” approach for the Member States eliminates 1/3 of these countries. A specific analysis is done to measure the effectiveness of the assistance provided by these organizations to developing countries.</p> <p>* Member State, one or more of its local authorities, a Third Country part of the OECD, Brazil, People’s Republic of China, India, Russia, Singapore and South Africa, or a public international body to which one or more Member States belong</p> <p>The ESG scores process has three key steps:</p> <ol style="list-style-type: none"> 1) A quantitative ESG score for each issuer /country is calculated based on ESG indicators, 2) Then, qualitative elements linked to the key sustainable issues may be considered. This process may modify the initial score. 3) The new ESG score is converted into a ranking which leads the following recommendations: <ul style="list-style-type: none"> • Issuers having a good score: Positive recommendation • Issuers having a medium score: Neutral recommendation • Issuers having a poor score: Negative recommendation <p>The Investment Manager may only invest in issuers having a Positive and/or Neutral recommendation.</p>
<ul style="list-style-type: none"> - Sustainable Euro Bond - Sustainable Euro Corporate Bond - Sustainable Global Corporate Bond 	<p>The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance (ESG) criteria in the investment process of the sub-fund, falling under the Sustainable Plus/Enhanced ESG category, as set out in Book I.</p> <p>The sub-fund invests at least 90% of its assets in securities issued by issuers that have an ESG score and at least 20% of the investment universe is eliminated based on low ESG scores and/or sector exclusions.</p> <p>The ESG scoring process has three key steps:</p> <ol style="list-style-type: none"> 1) A quantitative ESG score for each issuer /country is calculated based on ESG indicators, 2) Then, qualitative elements linked to the key sustainable issues may be considered. This process may modify the initial score. 3) The new ESG score is converted into a ranking which leads the following recommendations: <ul style="list-style-type: none"> • Issuers having a good score: Positive recommendation • Issuers having a medium score: Neutral recommendation • Issuers having a poor score: Negative recommendation <p>The Investment Manager may only invest in issuers having a Positive and/or Neutral recommendation.</p> <p>The average portfolio ESG score of the sub-fund is higher than the one of its investment universe.</p>
<ul style="list-style-type: none"> - Sustainable Multi-Asset Balanced - Sustainable Multi-Asset Growth - Sustainable Multi-Asset Stability 	<p>The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance (ESG) criteria in the investment process of the sub-fund, falling under the Sustainable Plus/Enhanced ESG + Thematic category, as set out in Book I.</p> <p>The Equity bucket of the sub-fund will invest mainly directly or indirectly (through funds, i.e. UCITS, UCIs, or ETFs) in:</p> <ul style="list-style-type: none"> • companies that offer products, services and solutions helping to address specific environmental and/or social challenges, and, thus, facilitating, for example, the transition towards low-carbon, inclusive economy (sustainable thematic approach), and • companies that demonstrate superior social and/or environmental responsibility, while implementing robust corporate governance practices within their sector of activity. These companies are selected using the best-in-class approach.

Sub-funds	New “Sustainable Investment Policy” section
	<p>The Fixed Income bucket of the sub-fund will mainly invest directly or indirectly (through funds, i.e. UCITS, UCIs, or ETFs) in:</p> <ul style="list-style-type: none"> • issuers whose practices, products and services meet specific environmental, social and governance criteria assessed using the best-in-class approach, • green bonds issued by corporates, supranational sovereign agencies, local entities and/or government to support environmental projects, • issuers selected through sustainable thematic approach (e.g., fossil free funds). <p>In order to meet its environmental and social characteristics and objectives, the sub-fund invests directly or indirectly (through funds, i.e. UCITS, UCIs, or ETFs) at least 90% of its assets (excluding investments in cash and cash equivalents) in securities selected based on the best-in-class approach and sustainable thematic approach.</p>

ADDITIONAL INFORMATION

Additional clerical changes have been made to update and enhance the general wording of the Prospectus or to comply with new laws and regulations.

Terms or expression not defined in the present notice have the same meaning as in the Prospectus of the Company.

If your shares are held by a clearing house, we advise you to enquire about the specific terms applying to subscriptions, redemptions and conversions made via this type of intermediary.

Please note that except for the newspaper publications required by Law, the official media going forward to obtain any notice to shareholders will be our website www.bnpparibas-am.com.

In case of any **question**, please contact our **Client Service (+ 352 26 46 31 21 /AMLU.ClientService@bnpparibas.com)**.

Best regards,

The Board of Directors