

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name : BNP PARIBAS FLEXI I US MORTGAGE

Legal Entity Identifier: 213800DYJTF53FYC334

ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS

Did this financial product have a sustainable investment objective?



Yes



No



It made sustainable investment with an environmental objective: ____%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It made sustainable investments with a social objective : ____%



It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of 100 % of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promoted E/S characteristics, but did not make any sustainable investments

All actual data within this periodic report are calculated on the closing date of the accounting year.



To what extent were the environmental and/or social characteristics promoted by this financial product met?

The financial product promotes environmental and social characteristics by assessing underlying investments against Environmental, Social, and Governance (ESG) criteria using an ESG internal proprietary methodology, and by investing in issuers that demonstrate good environmental, social and governance practices.

Sovereign issuers and agencies

The investment strategy selects issuers based on their performance across the environmental, social and governance pillars. The ESG performance of each country is assessed using an internal Sovereign ESG methodology that focuses on measuring governments' efforts to produce and preserve assets, goods, and services with high ESG values, according to their level of economic development. This involves evaluation of a country against a combination of environmental, social and governance factors, which include but not limited to:

- Environmental: climate mitigation, biodiversity, energy efficiency, land resources, pollution;



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- Social: life conditions, economic inequality, education, employment, health infrastructure, human capital;
- Governance: business rights, corruption, democratic life, political stability, security.

BNP Paribas Asset Management's Global Sustainability Strategy places a strong emphasis on combatting climate change. Therefore, given the importance of sovereigns in addressing climate change, the internal Sovereign ESG methodology includes an additional scoring component that captures the country's contribution to progress towards the net-zero goals set out in the Paris Agreement. This additional scoring component reflects countries' commitment to future targets balanced by their current policies and their forward-looking physical climate risk exposure. It combines temperature alignment methodology for determining national contributions to climate change with an assessment of the laws and policies countries have in place for addressing climate change.

The investment manager also applies the BNP Paribas Group's controversial countries framework, which includes restrictive measures on certain countries and/or activities that are considered as being particularly exposed to money laundering and terrorism financing related risks.

Furthermore, the investment manager promotes better environmental and social outcomes through engagement with issuers and the exercise of voting rights according to the Stewardship policy, where applicable.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product.

The environmental objectives as well as the social objectives to which the sustainable investments of the financial product have contributed are indicated in the question "What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?".

● *How did the sustainability indicators perform?*

The following sustainability indicators are used to measure the attainment of the environmental and social characteristics promoted by the financial product:

- The percentage of the financial product's portfolio compliant with the BNP Paribas Group's controversial countries framework: **100%**
- The percentage of the portfolio covered by ESG analysis based on the ESG internal proprietary methodology: **98.6%**
- The weighted average ESG score of the portfolio compared to the weighted average ESG score of its investment universe: **51.1 vs 50.5 (Bloomberg US MBS (USD) RI)**
- The percentage of the financial product's portfolio invested in 'sustainable investments' as defined in Article 2 (17) of the SFDR regulation: **100%**

● *...and compared to previous periods ?*

Not applicable for the first periodic report.

● *What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?*

Sovereign issuers and agencies

The objective of the sustainable investments made by the financial product is to finance new and existing projects with environmental and social benefits by investing in:

1. Green bonds issued to finance environmentally sound and sustainable projects that foster a net-zero emissions economy and protect the environment.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

2. Social bonds issued to finance socially sound and sustainable projects that achieve greater social benefits.
3. Sustainability bonds issued to finance a combination of both green and social projects.

The selected green bonds, social bonds and sustainability bonds should comply with the principles formulated by the International Capital Market Association and receive a "POSITIVE" or "NEUTRAL" investment recommendation from the Sustainability Center following the issuer and underlying project assessment based on a proprietary Green/Social/Sustainability Bond Assessment methodology.

Projects identified as a sustainable investment should not significantly harm any other environmental or social objectives (the Do No Significant Harm "DNSH" principle) and should follow good governance practices. BNP Paribas Asset Management (BNPP AM) uses its proprietary methodology to assess all companies against these requirements.

More information on the internal methodology can be found on the website of the investment manager : Sustainability documents - BNPP AM Corporate English (<https://www.bnpparibas-am.com/>)

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

Sustainable investments that the product partially intends to make should not significantly harm any environmental or social objective (DNSH Principle). In this respect, the investment manager commits to consider principal adverse impacts on sustainability factors by taking into account indicators for adverse impacts as defined in SFDR.

How were the indicators for adverse impacts on sustainability factors taken into account?

The investment manager ensures that throughout its investment process, the financial product takes into account all the principal adverse impact indicators that are relevant to its investment strategy to select the sustainable investments that the financial product partially intends to make by systematically implementing the sustainable investment pillars defined in the BNP Paribas Asset Management Global Sustainability Strategy (GSS) into its investment process : RBC policy, ESG integration guidelines, Stewardship, the forward-looking vision the '3Es' (Energy transition, Environmental sustainability, Equality & Inclusive Growth).

The RBC policy establishes a common framework across investments and economic activities that help identify industries and behaviours presenting a high risk of adverse impacts in violation of international norms. As part of the RBC Policy, sector policies provide a tailored approach to identify and prioritize principal adverse impacts based on the nature of the economic activity, and in many cases, the geography in which these economic activities take place.

The ESG Integration Guidelines includes a series of commitments, which are material to consideration of principal adverse sustainability impacts, and guides the internal ESG integration process. The proprietary ESG scoring framework includes an assessment of a number of adverse sustainability impacts caused by companies in which we invest. Outcome of this assessment may impact the valuation models as well as the portfolio construction depending on the severity and materiality of adverse impacts identified.

Thus, the Investment Manager considers principal adverse sustainability impacts throughout the investment process through the use of the internal ESG scores and

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

construction of the portfolio with an improved ESG profile compared to its investment universe.

The Forward-looking perspective defines a set of objectives and developed performance indicators to measure how the researches, portfolios and commitments are aligned on three issues, the '3Es' (Energy transition, Environmental sustainability, Equality & inclusive growth) and thus support investment processes.

Furthermore, the Stewardship team regularly identifies adverse impacts through ongoing research, collaboration with other long-term investors, and dialogue with NGOs and other experts.

As regards the sustainable investments that the financial product intends to make, the following principal adverse sustainability impacts are taken into account:

Corporate mandatory indicators:

1. GreenHouse Gas (GHG) Emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Corporate voluntary indicators:

Environment

4. Investments in companies without carbon emission reduction initiatives

Social

4. Lack of a supplier code of conduct
9. Lack of a human rights policy

Sovereign mandatory indicator:

15. GHG intensity
16. Investee countries subject to social violations

More detailed information on the manner in which principal adverse impacts on sustainability factors are considered can be found in the BNP PARIBAS ASSET MANAGEMENT SFDR disclosure statement: <https://docfinder.bnpparibas-am.com/api/files/874ADAE2-3EE7-4AD4-B0ED-84FC06E090BF>

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable due to the nature of issuers (i.e., sovereign issuers and agencies).

The EU Taxonomy sets out a 'do not significant harm' principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors ?

The product considers principal adverse impacts on sustainability factors by systematically implementing the sustainable investment pillars defined in the GSS into its investment process. These pillars are covered by firm-wide policies that set criteria to identify, consider and prioritise as well as address or mitigate adverse sustainability impacts caused by issuers.

The investment universe is periodically screened with a view to identifying severe controversial countries that are subject to social violations and violation of fundamental human rights, as referred to in international treaties and conventions. The BNP Paribas Group's controversial countries framework establishes restrictive measures on certain countries and/or activities that are considered as being particularly exposed to money laundering and terrorism financing related risks.

The ESG Integration Guidelines includes a series of commitments, which are material to consideration of principal adverse sustainability impacts, and guides the internal ESG integration process. The proprietary ESG scoring framework includes an assessment of adverse sustainability impacts for sovereign issuers and agencies in which we invest.

The proprietary ESG scoring framework for sovereign issuers and agencies includes consideration of various metrics and indicators related to GHG intensity including but not limited to:

- Environmental indicators (GHG emissions per capita, CO2 emissions from energy sector, CO2 emissions from industries, CO2 emissions from gaseous fuel consumption,...);
- Commitment to reduce GHG emissions to comply to the 2°C limit, with regards to Nationally Determined Contributions (NCD);
- Policies adopted for tackling climate change.
- Several metrics and indicators linked to social violations are imbedded in the proprietary ESG scoring framework, including but not limited to :
- Labour and social protection (ratification or implementation in equivalent national legislation of the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work);
- Democratic life (voice and accountability, rule of law,...);

- Security (military expenditure, armed forces personnel, refugee population,...).

Outcome of this assessment may impact the valuation models as well as the portfolio construction depending on the severity and materiality of adverse impacts identified. Thus, the Investment Manager considers principal adverse sustainability impacts throughout the investment process through the use of the internal ESG scores and construction of the portfolio with an improved ESG profile compared to its investment universe.

The Forward-looking perspective defines a set of objectives and developed performance indicators to measure how the researches, portfolios and commitments are aligned on three issues, the "3Es" (Energy transition, Environmental sustainability, Equality & inclusive growth) and thus support investment processes.

Furthermore, the Stewardship team engages in dialogue with sovereign bond issuers about the terms of their bonds and concerning the countries' policies and performance on key ESG issues that might influence their ability to service their debt.

Actions to address or mitigate principal adverse sustainability impacts depend on the severity and materiality of these impacts. These actions are guided by the BNP Paribas Group's controversial countries framework, ESG Integration Guidelines, and Engagement Policy, and include :

- Exclusion of issuers that are in violation of international treaties and conventions and issuers exposed to money laundering and terrorism financing related risks;
- Engagement with issuers with the aim of encouraging them to improve their environmental, social and governance practices and, thus, mitigate potential adverse impacts.
- Based on the above approach, and depending on the composition of the financial product's portfolio (i.e. the type of issuer), the financial product considers and addresses or mitigates the following principal adverse sustainability impacts:

Corporate mandatory indicators:

1. GreenHouse Gas (GHG) Emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
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Sovereign mandatory indicators

15. GHG intensity

16. Investee countries subject to social violations

More detailed information on the manner in which principal adverse impacts on sustainability factors are considered can be found in the BNP PARIBAS ASSET MANAGEMENT SFDR disclosure statement: [sustainability risk integration and Principal Adverse Impacts considerations](#).



What were the top investments of this financial product?

Largest investments**	Sector	% Assets*	Country**
UMBS 30YR TBA(REG A) 5.50 PCT 25-APR-2053	Other	13,50%	United States
UMBS 30YR TBA(REG A) 2.00 PCT 25-DEC-2051	Other	6,79%	United States
UMBS 30YR TBA(REG A) 2.50 PCT 25-MAR-2052	Other	5,37%	United States
GNMA2 30YR TBA(REG C) 6.00 PCT 20-MAY-2053	Other	4,97%	United States
GNMA2 30YR TBA(REG C) 2.00 PCT 20-DEC-2051	Other	3,23%	United States
GNMA2 30YR TBA(REG C) 2.50 PCT 20-SEP-2051	Other	2,68%	United States
UMBS 30YR TBA(REG A) 3.00 PCT 25-MAR-2052	Other	2,63%	United States
UMBS 30YR TBA(REG A) 4.50 PCT 25-NOV-2052	Other	2,59%	United States
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION 2 3.50 PCT 20-FEB-2048	Mortgage securities	2,24%	United States
FEDERAL NATIONAL MORTGAGE ASSOCIATION 3.00 PCT 01-FEB-2047	Other	2,03%	United States
FEDERAL NATIONAL MORTGAGE ASSOCIATION 2.00 PCT 01-FEB-2051	Other	1,98%	United States
GNMA2 30YR TBA(REG C) 5.50 PCT 20-APR-2053	Other	1,94%	United States
FEDERAL NATIONAL MORTGAGE ASSOCIATION 2.00 PCT 01-JUN-2040	Other	1,90%	United States
GNMA2 30YR TBA(REG C) 3.00 PCT 20-FEB-2051	Other	1,74%	United States
FEDERAL NATIONAL MORTGAGE ASSOCIATION 2.00 PCT 01-APR-2051	Other	1,70%	United States

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is: 30.06.2023

Source of data: BNP Paribas Asset Management, as at 30.06.2023

The largest investments are based on official accounting data and are based on the transaction date.

* Any percentage differences with the financial statement portfolios result from a rounding difference.

** Any difference with the portfolio statements above are coming from the use of different data's sources.



What was the proportion of sustainability-related investments?

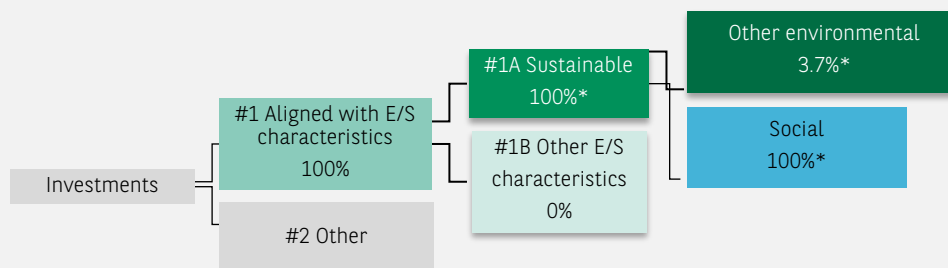
● What was the asset allocation ?

The proportion of the investments of the financial product used to meet the environmental or social characteristics promoted, in accordance with the binding elements of the investment strategy of the financial product is **100%**.

The proportion of sustainable investments of the financial product is **100%**.

The remaining proportion of the investments is mainly used as described under the question: "What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?"

Asset allocation describes the share of investments in specific assets.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

*A portfolio security classified as sustainable investment may, taking into account all its activities, both contribute to a social objective and to an environmental objective (aligned or not with the taxonomy of the EU) and the figures shown take this into account. However, the same issuer can only be recognised once for sustainable investments (#1A Sustainable).

● *In which economic sectors were the investments made ?*

Sectors	% Asset
Other	131,49%
Mortgage securities	10,24%
Forex contracts	1,09%
Government	0,94%
Cash	-43,77%

Source of data: BNP Paribas Asset Management, as at 30.06.2023

The largest investments are based on official accounting data and are based on the transaction date.

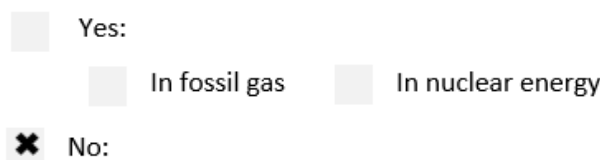


To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

The financial product did not commit to having a minimum proportion of sustainable investments with an environmental objective in economic activities that are considered environmentally sustainable within the meaning of the EU Taxonomy, and it did not do so.

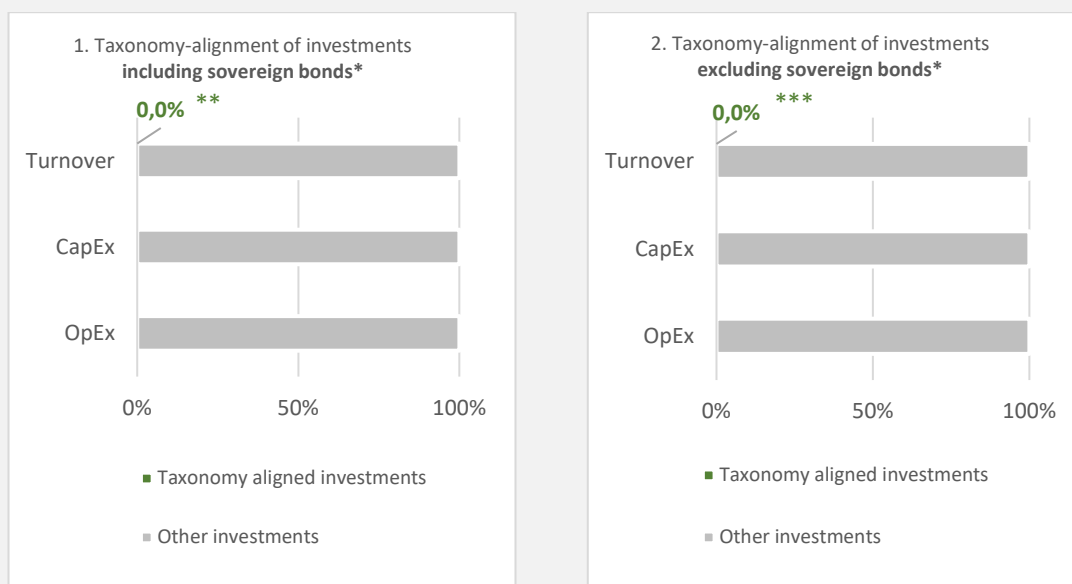
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy ¹?**



At the date of closure of the accounting year and preparation of the annual report, the data are not available and the management company does not have the information relating to the previous year.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.*



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

** Real taxonomy aligned

*** Real taxonomy aligned. At the date of this periodic information document, the management company does not have all the necessary data to determine the alignment of investments with the taxonomy excluding sovereign bonds. The percentage of alignment of investments with the taxonomy including sovereign bonds being by construction a real minimum proportion, this same figure is used accordingly.


● **What was the share of investments made in transitional and enabling activities?**

The share of investments in transitional and enabling activities within the meaning of the Regulations Taxonomy is 0% for transitional activities and 0% for enabling activities.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

● *How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods ?*

Not applicable for the first periodic report.



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The share of sustainable investments with an environmental objective that are not aligned with the European Taxonomy Regulation is **3.7%**.

The management company is improving its systems for collecting data in line with the EU Taxonomy to ensure the accuracy and adequacy of published sustainability information under the European Taxonomy Regulation. Meanwhile, the financial product will invest in sustainable investments whose environmental objective is not aligned with the EU Taxonomy.



What was the share of socially sustainable investments?

Socially sustainable investments represent **100%** of the financial product.



What investments were included under 'other', what was their purpose and were there any minimum environmental or social safeguards?

The remaining proportion of the investments may include :

- The proportion of assets that are not used to meet the environmental or social characteristics promoted by the financial product. These assets are used for investment purposes, or
- Instruments which are mainly used for liquidity, efficient portfolio management, and/or hedging purposes, notably cash, deposits and derivatives

In any case, the investment manager will ensure that those investments are made while maintaining the improvement of the ESG profile of the financial product. In addition, those investments are made in compliance with our internal processes, including the following minimum environmental or social safeguards:

- The risk management policy. The risk management policy comprises procedures as are necessary to enable the management company to assess for each financial product it manages the exposure of that product to market, liquidity, sustainability and counterparty risks. And
- The RBC policy, where applicable, through the exclusion of companies involved in controversies due to poor practices related to human and labour rights, environment, and corruption, as well as companies operating in sensitive sectors (tobacco, coal, controversial weapons, asbestos,...), as these companies are deemed to be in violation of international norms, or to cause unacceptable harm to society and/or the environment



What actions have been taken to meet the environmental and/or social characteristics during the reference period ?

- The financial product shall comply with the BNP Paribas Group's controversial countries framework;
- The financial product shall have at least 90% of its assets (excluding ancillary liquid assets) covered by the ESG analysis based on the ESG internal proprietary methodology;
- The financial product shall have the weighted average ESG score of its portfolio higher than the weighted average ESG score of its investment universe, as defined in the Prospectus;

- The financial product shall invest at least 50% of its assets in “sustainable investments” as defined in Article 2 (17) of the SFDR regulation. Criteria to qualify an investment as “sustainable investment” are indicated in the above question “*What were the objectives of the sustainable investments that the financial product partially intends to make and did the sustainable investments contribute to such objectives*” and the quantitative and qualitative thresholds are mentioned in the main part of the Prospectus.

In addition, the management company has implemented a voting and engagement policy. Several examples of commitments are detailed in the vote and commitment section of the Sustainability Report. These documents are available at the following link: <https://www.bnpparibas-am.com/en/sustainability-documents/>



How did this financial product perform compared to the reference benchmark?

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product.

- *How does the reference benchmark differ from a broad market index?*
Not applicable
- *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?*
Not applicable
- *How did this financial product perform compared with the reference benchmark?*
Not applicable
- *How did this financial product perform compared with the broad market index?*
Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.