

BNP Paribas Funds

SICAV under Luxembourg law – UCITS class
Registered Office: 10, Rue Edward Steichen, L-2540 Luxembourg
Luxembourg Trade and Companies Register No. B 33.363

Notice to the shareholders of ASIA EX-JAPAN BOND SUB-FUND

Shares	ISIN code	Shares	ISIN code
Classic-CAP	LU0823379622	N-CAP	LU0823380042
Classic-DIS	LU0823379895	Privilege-CAP	LU0823380125
Classic MD	LU0823379549	Privilege-DIS	LU0823380398
Classic EUR-CAP	LU0823378905	I-CAP	LU0823379978
Classic EUR-DIS	LU0823379036	I RH EUR-CAP	LU0841409963
Classic RH AUD MD	LU0823379119		
Classic RH EUR-CAP	LU0823379382		
Classic RH SGD MD	LU0823379465		

Luxembourg, April 4, 2022

Dear Shareholders,

We hereby inform you that this “Asia ex-Japan Bond” sub-fund will be transformed into new “Sustainable Asian Cities Bond” sub-fund.

This transformation changes will be effective on May 6, 2022.

1) Background to and rationale for the Transformation

Performances of the “Asia ex-Japan Bond” sub-fund do not meet expectation, as the sub-fund has underperformed its benchmark 50% JPM Asia Credit Index + 50% Markit iBoxx ALBI over the short- and longer-term.

The transformation into a new “Sustainable Asian Cities Bond” sub-fund aims to deliver better long-term value-add by:

- (i) adopting a thematic approach of capitalising on the positive long-term structural trend for sustainable investing in Asia (underpinned by regulatory shifts as well as increasing awareness among investors and capital raisers) and
- (ii) focusing predominantly on hard currency bonds (vs. the blend strategy of the existing strategy)

The strategy will aim to maximize total returns while exhibiting a strong ESG profile.

Warning:

- ✓ **Past results are not an indicator or guarantee of future results.**
- ✓ **There is no guarantee that this objective will be achieved.**

2) *The features of the sub-fund will completely be changed as follows*

features	"Asia ex-Japan Bond"	"Sustainable Asian Cities Bond"
Investment objective	Increase the value of its assets over the medium term by investing primarily in Asian (excluding Japan) bonds.	Increase the value of its assets over the medium term by investing primarily in debt securities issued by Asian issuers supporting the development of Sustainable Asian Cities while integrating ESG criteria all along our investment process.
Benchmark	<p>composite benchmark 50% J.P. Morgan Asia Credit index + 50% Markit iBoxx Asian Local Bond Index used for performance comparison only</p> <p>The sub-fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark</p>	<p>J.P. Morgan Asia Credit Index used for performance comparison only</p> <p>The sub-fund is not benchmark-constrained and its performance may deviate significantly from that of the benchmark</p>
Investment policy	<p>This sub-fund invests at least 2/3 of its assets in bonds or other similar securities, denominated in various currencies, of issuers that have their registered offices in or conduct the majority of their business activity in Asia (excluding Japan).</p> <p>The remaining portion, namely a maximum of 1/3 of its assets, may be invested in any other transferable securities, money market instruments, or cash, and up to 10% of its assets may be invested in UCITS or UCIs.</p> <p>In respect of the above investments limits, the sub-fund's investments into debt securities traded on the China Interbank Bond market may reach up to 25% of its assets.</p>	<p>This thematic sub-fund invests at least 75% of its total assets in</p> <ol style="list-style-type: none"> 1) Sustainable labelled bonds as defined by International Capital Market Association (i.e. green bond principles, social bond principles, sustainability bond guidelines, sustainability-linked bond principles) including green bonds, social and sustainability use-of-proceeds bonds of corporate and government issuers domiciled in, or exercising the predominant part of their economic activity in, Asian countries such as, but not limited to, China, Indonesia and Korea; and 2) non-labelled bonds aligned with the development of sustainable Asian cities and issued by corporate and public entities domiciled in, or exercising the predominant part of their economic activity in Asian countries, for which part of their business contribute to aspects of sustainable Asian cities. The selected issuers must have at least 20% of their revenues in the activities, which are directly contributing to the theme, and/or potentially enablers of the development of sustainable Asian cities. <p>The concept of Sustainable Asian Cities is multi-sector and multi-aspect, where investments can be broadly about these five aspects:</p> <ul style="list-style-type: none"> • Enhancing urban mobility within and across cities, with a preference for low-carbon options e.g. public transport • Improving Asian cities' basic infrastructure to operate and thrive, as well as improving cities' resilience to extreme weather events such as, but not limited to, storm water management or flood protection • Promoting integrated development to balance a mix of social, economic, nature-based activities such as, but not limited to, city's special economic zones or urban wetland installation • Building health and education facilities to increase provision and improve access to healthcare and education • Supporting innovative and technological solutions to support sustainable development of cities. <p>The investment universe of this sub-fund is made up of sustainable labelled bonds (per point 1 above) and non-labelled bonds (per point 2 above) from issuers domiciled in, or exercising the predominant part of their economic activity in, Asian countries (such as, but not limited to, China, Indonesia,</p>

		<p>Korea).</p> <p>The sub-fund 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 of the Luxembourg Prospectus.</p> <p>The remaining portion, namely a maximum of 25% of its assets, may be invested in any other debt securities (such as, but not limited to, corporate bonds), ancillary liquid assets within the limits and conditions described in Book I, Appendix 1 – Eligible Assets, point 7, money market instruments for maximum 10% of the assets, and other UCITS or UCIs for maximum 10% of the assets.</p> <p>The sub-fund invests at least 60% in Investment Grade bonds.</p> <p>The sub-fund may invest in High Yield bonds rated above B- (S&P) up to 40% of its assets, and in perpetual callable bonds up to 20% of its assets.</p> <p>In the event that the ratings criteria are not met, due to downgrades, the Investment Manager shall adjust the portfolio's composition in the best interests of investors and in the timeliest manner.</p> <p>In respect of the above investments limits, the sub-fund's investments into debt securities traded on the China Interbank Bond market may reach up to 25% of its assets.</p> <p>After hedging, the sub-fund exposure to currencies other than USD may not exceed 5%</p>
Sustainable Investment Policy	<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 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 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 or assessment using the internal methodology, as set out in Book I.</p> <p>The objective is deliberately to allocate capital towards projects, activities, assets, or companies that contributes to Sustainable Asian Cities theme. The sub-fund achieves this objective by investing in bonds that are validated by the Sustainability Centre of BNPP AM.</p>
Information relating to SFDR and Taxonomy Regulation	<p>The sub-fund is not categorized under Article 8 or Article 9 SFDR.</p> <p>The Taxonomy Regulation aims to establish the criteria for determining whether an economic activity is considered environmentally sustainable. Thus, the EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities.</p> <p>Economic activities that are not recognised by the Taxonomy Regulation are not necessarily environmentally harmful or unsustainable. Moreover, not all activities that can make a substantial contribution to environmental</p>	<p>The sub-fund has sustainable investment objective in accordance with article 9 of SFDR.</p> <p>The Taxonomy Regulation aims to establish the criteria for determining whether an economic activity is considered environmentally sustainable. Thus, the EU Taxonomy is a classification system establishing a list of environmentally sustainable economic activities in respect of the six EU's climate and environmental objectives defined by this regulation.</p> <p>As of today, the sub-fund does not yet commit to a minimum proportion of investment in economic activities that qualify as environmentally sustainable under the Taxonomy Regulation and that contribute to the environmental objectives climate change mitigation and climate change adaptation.</p>

	<p>as well as social objectives are yet part of the Taxonomy Regulation. The investments underlying this sub-fund do not take into account the EU criteria for environmentally sustainable economic activities.</p>	<p>However, considering the extra-financial dimension of its investment objective, it is likely that a limited part of the sub-fund will invest in activities that contribute to the environmental objectives climate change mitigation and/or climate change adaptation.</p> <p>The Management Company is currently developing its Taxonomy-alignment data systems to ensure the accuracy and suitability of its Taxonomy sustainability-related disclosures. Further subsequent prospectus updates will be made accordingly.</p> <p>Economic activities that are not recognised by the Taxonomy Regulation are not necessarily environmentally harmful or unsustainable. In addition, all activities that can make a substantial contribution to environmental as well as social objectives are not yet part of the Taxonomy Regulation.</p>
Specific Market Risks	<p>Specific market risks:</p> <ul style="list-style-type: none"> • Credit Risk • Emerging Markets Risk • Extra-Financial Criteria Investment Risk <p>• Liquidity Risk</p> <p>• Risks related to investments in some countries</p> <p>Specific risks related to investments in Mainland China</p> <ul style="list-style-type: none"> • Changes in PRC taxation risk • Risk related to Direct CIBM Access 	<p>Specific market risks:</p> <ul style="list-style-type: none"> • Credit Risk • Emerging Markets Risk • Extra-Financial Criteria Investment Risk • High Yield Bond Risk • Liquidity Risk • Risks related to investments in some countries <p>Specific risks related to investments in Mainland China</p> <ul style="list-style-type: none"> • Changes in PRC taxation risk • Risk related to Direct CIBM Access
SRRI	3	3
Summary of differences for:	<p><u>Investment Policy and Strategy</u></p> <p>While both sub-funds seeks to increase the value of assets by investing in a common geographic area of focus (Asia ex-Japan), the Sustainable Asian Cities Bond strategy has a deeper level of ESG-integration and adopts a thematic approach, focusing on sustainable-labelled bonds and bonds aligned with the “Sustainable Asian Cities” concept (please refer to the Investment Policy section), rather than the more broad-based approach of the Asia ex-Japan Bond.</p> <p><u>Asset Allocation</u></p> <p>The Asia ex Japan Bond sub-fund invests at least 2/3 of its assets in bonds or other similar securities, denominated in various currencies, of issuers that have their registered offices in or conduct the majority of their business activity in Asia (excluding Japan).</p> <p>The Sustainable Asian Cities Bond sub-fund invests at least 75% of its total assets in debt securities issued by Asian entities supporting the development of Sustainable Asian Cities (please refer to Investment Policy section).</p> <p>The Sustainable Asian Cities Bond sub-fund, also invests at least 60% in Investment Grade bonds while the Asia ex-Japan Bond does not have this criteria.</p> <p><u>Universe</u></p> <p>Both sub-funds have a similar geographic area of focus, which is Asia ex-Japan. However, in terms of the investment approach, there are differences (please refer to the section on Investment Policy and Strategy above).</p> <p><u>Sustainable Policy</u></p> <p>For the Asia ex-Japan Bond, 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>For Sustainable Asian Cities Bond, in addition to applying BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, it goes even further, and invests at least 90% of its assets (excluding investments in cash and cash equivalents) in securities issued by issuers that have an ESG score or assessment using the internal methodology, as set out in Book I. Additionally, the Asia ex-Japan Bond is not categorized under Article 8 or Article 9 SFDR, but the Sustainable Asian Cities Bond promotes environmental and / or social and governance characteristics in</p>	

	<p>accordance with Article 9 of SFDR, and it invests partially in sustainable investments within the meaning of SFDR.</p> <p>Risk Profile Liquidity risk: The overall liquidity of the sub-fund is expected to improve due to investments within the sustainable investment universe. Credit risk: The credit risk may slightly increase due to the possibility to invest up to 20% in high yield bonds. Counterparty risk: No change. The risk remains low due to careful selection/monitoring of counterparties, as well as the exchange of collateral. Operational risk: No change. The risk remains low risk due to careful assessment/mitigation of all operational risks during the Product Governance.</p>	
OCR (latest published KIIDs): <ul style="list-style-type: none"> • “Classic” • “N” • “Privilege” • “I” 	<ul style="list-style-type: none"> • 1.62% (including max. Man.Fees 1.25%) • 2.13% (including max. Man.Fees 1.25%) • 1.03% (including max. Man.Fees 0.75%) • 0.78% (including max. Man.Fees 0.60%) 	estimated OCR <ul style="list-style-type: none"> • 1.28% (including max. Man.Fees 0.90%) • 1.78% (including max. Man.Fees 0.90%) • 0.73% (including max. Man.Fees 0.45%) • 0.58% (including max. Man.Fees 0.40%)

* SFDR stands for “Sustainable Finance Disclosure Regulation” referring to the Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability-related disclosures in the financial services sector. More information about this Regulation and the categorization are available in the Prospectus

The Asset Manager (BNP PARIBAS ASSET MANAGEMENT UK), Risk Management Process (Commitment Approach), using Derivatives, SRRI (3), Investor Type Profile, Accounting Currency (USD), and NAV cycle will keep unchanged.

3) Right to redeem the shares

Your options:

- ✓ Should you approve the transformation, you do **not need** to take any action,
- ✓ Should you not approve the transformation, you have the possibility to request the redemption of your shares free of charge until the cut-off time on **May 5, 2022**,
- ✓ In case of **any question**, please contact our **Client Service (+ 352 26 46 31 21 / AMLU.ClientService@bnpparibas.com)**.

4) Other information

- ✓ The current portfolio of the sub-fund is not compliant with the new investment policy and most of the assets (between 75% to 100%) will be sold in the days following the transformation.
- ✓ The costs and expenses of this Transformation (around 0.37% of the NAV) will be borne by the sub-fund.
- ✓ The notice will also be communicated to any potential investor before confirmation of subscription.
- ✓ Please refer to the Prospectus of the Company for any term or expression not defined in this notice.

Best regards,

The Board of Directors