

This notice contains important information that requires your immediate attention. Should you have any queries, you are recommended to seek independent professional advice.

The following change(s) in investment choice(s) relate(s) to the “FLEXI Series” investment plans, including Flexi-Invest Insurance Plan, FLEXI-Education InvestPlan and FLEXI-Annuity Investment Plan.

Change of Investment Objective and Strategy for the Underlying Funds of the Investment Choices

- *Equity Asia ex-Japan Fund BP (BPEA)*
- *Global Equity Fund BP (BPEQ)*

As advised by the board of directors of BNP Paribas Funds, as there is an increasing demand for sustainable fund strategy, the underlying funds of the investment choices above will be transformed into ESG focused funds with effect from the 31 January 2022 for prospective growth. The investment manager of the underlying funds will apply BNP PARIBAS ASSET MANAGEMENT's Sustainable Investment Policy as defined in the prospectus of the underlying funds, which takes into account ESG standards and integration in the investment process of the respective underlying funds.

In order to reflect the latest investment objective and strategy, the underlying fund of BPEA will be renamed as BNP Paribas Funds Sustainable Asia ex-Japan Equity and the underlying fund of BPEQ will be renamed as BNP Paribas Funds Sustainable Global Low Vol Equity.

As a result of the above changes, “Environmental, Social and Governance Risk” will be considered as a relevant risk to the underlying funds.

Since the current holdings of the underlying funds are already complied with the newly amended ESG standards and requirements, no significant rebalancing of the underlying investments will be required.

The changes above will not result in any increment in fees level or costs in managing the underlying funds. In addition, no costs or expenses will be incurred in connection with the changes. The changes would not materially change the features and overall risk profile of the underlying funds. There would be no change in the operations or the manner in which the underlying funds are being managed. Further, the change would not materially prejudice the existing investors' rights of interest.

You should refer to the relevant offering documents and the notice to shareholders of the underlying fund(s) of the above investment choice(s) in relation to the above changes, which are made available by YF Life Insurance International Ltd. upon request.

If you have selected the above investment choice(s) under your insurance policy and if for any reason you wish to change to other investment choice(s), you may switch your investment choice(s) to other available investment choice(s) provided by your policy. Please note that bid-offer spread and switching charge are applicable for switching between investment choices. For details, please refer to Investment Choice Brochure or contact YF Life Insurance International Ltd. at (852) 2533 5555 (Hong Kong)/ (853) 2832 2622 (Macau).

BNP PARIBAS FUNDS

Luxembourg SICAV – UCITS category

Registered office: 10 rue Edward Steichen, L-2540 Luxembourg

Luxembourg Trade and Companies Register n° B 33.363

Notice to shareholders

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.

Dear Shareholders,

We hereby inform you the following changes which will be effective on January 31, 2022 (Order Trade Date) (the “Effective Day”) and will be incorporated in the next version of the Hong Kong Offering Document.

A. Environmental, Social and Governance (“ESG”)

As there is an increasing demand for sustainable fund strategy, the sub-funds below will be transformed into ESG focused sub-funds with effect from the Effective Day for prospective growth. The Investment Manager will apply BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy as defined in the Prospectus, which takes into account ESG standards and integration in the investment process of the respective sub-funds.

1. *BNP Paribas Funds Asia ex-Japan Equity*

The sub-fund will be renamed as **BNP Paribas Funds *Sustainable* Asia ex-Japan Equity** in order to reflect the latest investment objective and strategy. The investment objective and strategy will be amended as below (by adding the bolded words and removing the strikethrough words):

Objective

To increase the value of its assets over the medium term by investing primarily in Asian (excluding Japan) equities ***issued by socially responsible companies.***

Strategy

At all times, this sub-fund invests at least 75% of its assets in equities and/or equity equivalent securities (such as participation rights which refer to equity instruments like bonus right and/or subscription rights (which may result from a corporate action)) issued by a limited number of ***socially responsible*** companies that have their registered offices or conduct the majority of their business activities in Asia (excluding Japan) and that are characterised by the quality of their financial structure and/or their potential for earnings growth.



BNP PARIBAS
ASSET MANAGEMENT

The asset manager
for a changing
world

Socially responsible companies refers to companies that are expected to work towards high Environmental, Social and Governance (“ESG”) standards including corporate, social and environmental responsibility and environmental sustainability, develop positive relationships with their shareholders, and uphold and support universal human rights.

The remaining portion, namely a maximum of 25% of its assets, may be invested in any other securities (including P-Notes), money market instruments or cash, provided that investments in debt securities of any kind do not exceed 15% of its assets, and up to 10% of its assets may be invested in collective investment schemes.

To further elaborate, in terms of liquidity, while there is no limit on market capitalisation, the **portfolio manager team** would typically filter out any stocks with a market capitalisation less than USD ~~100~~ **200** million during the initial screening process. The **portfolio manager team** is cognisant to manage liquidity risk, so the Fund will only invest in liquid stocks due to a concentrated portfolio (less than 50 holdings). The sub-fund will invest in a limited number of securities (about 30 – 50 companies) for which the investment manager has high conviction.

In the respect of the above investments limits, the sub-fund’s overall exposure (via both direct and indirect investments) to mainland China securities will not exceed 20% of its assets by investments in “China A-Shares” via the Stock Connect.

~~The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance criteria in the investment process of the sub-fund.~~

The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy as defined in the Prospectus, which takes into account ESG standards and integration in the investment process of the sub-fund.

ESG standards are integrated in the investment process of the sub-fund. The ESG standards comprise 1) the 10 principles of the United Nations Global Compact and OECD Guidelines for Multinational Enterprises and 2) the BNP PARIBAS ASSET MANAGEMENT sector policies.

The United Nations Global Compact is a shared framework, recognized worldwide and applicable to all industry sectors. The 10 principles of the United Nations Global Compact in the areas of human rights, labour standards, environmental stewardship and anti-corruption are integrated in the investment process. Similarly, the OECD Guidelines for Multinational Enterprises set out principles for the responsible business conduct of businesses.

BNP PARIBAS ASSET MANAGEMENT has also defined a series of ESG guidelines relating to investments in sensitive sectors including but not limited to palm oil, wood pulp, mining activities, nuclear, coal-fired power generation, tobacco, controversial weapons, unconventional oil and gas and asbestos.

The ESG integration involves the evaluation of the three non- financial indicators below:

- **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 integration above is reflected in the investment process of the sub-fund by way of ESG scores. The Investment Manager applies a non-financial analysis on a minimum of 90% of the assets of the sub-fund based on the internal proprietary ESG scoring framework. In general, socially responsible companies would have higher ESG score than companies without ESG or sustainability initiatives in the investment universe (i.e. large and mid-cap Asian companies with market capitalization of at least USD 200 million across the main Asian markets).

After eliminating the bottom 20% of the lowest ESG rated securities in the investment universe, a reference ESG score would be calculated from the remaining higher ESG score securities in the reduced investment universe. The portfolio is then constructed so that the average ESG score of the portfolio would be higher than the reference ESG score of the reduced investment universe.

For the avoidance of doubt, the portfolio manager is not restricted to invest only in the reduced investment universe, as long as the portfolio could match the above average ESG score criteria.

The sub-fund would exclude investment in (i) securities issued by companies that violate any of the principles of the United Nations Global Compact or OECD Guidelines for Multinational Enterprises and (ii) securities issued by companies from the sensitive sectors above that do not comply with the guidelines defined by BNP PARIBAS ASSET MANAGEMENT.

The sub-fund may invest in sovereign debt securities but it does not contemplate to invest more than 10% of its net asset value in securities issued by or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade and/or unrated.

2. *BNP Paribas Funds Europe Dividend*

The sub-fund will be renamed as **BNP Paribas Funds *Sustainable* Europe Dividend** in order to reflect the latest investment objective and strategy. The investment objective and strategy will be amended as below (by adding the bolded words and removing the strikethrough words):

Objective

To increase the value of its assets over the medium term by investing in European dividend equities ***issued by socially responsible companies.***

Strategy

At all times, this sub-fund invests at least 75% of its assets in equities and/or equity equivalent securities (such as participation rights which refer to equity instruments like bonus right and/or subscription rights (which may result from a corporate action) and/or convertible bonds) issued by ***socially responsible*** companies that have their registered office either in a country member of the European Economic Area or in the United Kingdom, other than non-cooperative countries in the fight against fraud and tax evasion, and whose dividend prospects are, in the opinion of the ~~management team~~ ***portfolio manager***, sustainable over the medium term.

The remaining portion, namely a maximum of 25% of its assets, may be invested in any other securities, money market instruments and/or cash, and also, within a limit of 15% of the assets, in debt securities of any kind and, within a limit of 10% of the assets, in collective investment schemes.

~~The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT's Sustainable Investment Policy, which takes into account Environmental, Social and Governance criteria in the investment process of the sub-fund.~~

To further elaborate, socially responsible companies refers to companies that are expected to work towards high Environmental, Social and Governance ("ESG") standards including corporate, social and environmental responsibility and environmental sustainability, develop positive relationships with their shareholders, and uphold and support universal human rights.

The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT's Sustainable Investment Policy as defined in the Prospectus, which takes into account ESG standards and integration in the investment process of the sub-fund.

ESG standards are integrated in the investment process of the sub-fund. The ESG standards comprise 1) the 10 principles of the United Nations Global Compact and OECD Guidelines for Multinational Enterprises and 2) the BNP PARIBAS ASSET MANAGEMENT sector policies.

The United Nations Global Compact is a shared framework, recognized worldwide and applicable to all industry sectors. The 10 principles of the United Nations Global Compact in the areas of human rights, labour standards, environmental stewardship and anti-corruption are integrated in the investment process. Similarly, the OECD Guidelines for Multinational Enterprises set out principles for the responsible business conduct of businesses.

BNP PARIBAS ASSET MANAGEMENT has also defined a series of ESG guidelines relating to investments in sensitive sectors including but not limited to palm oil, wood pulp, mining activities, nuclear, coal-fired power generation, tobacco, controversial weapons, unconventional oil and gas and asbestos.

The ESG integration involves the evaluation of the three non- financial indicators below:

- ***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 integration above is reflected in the investment process of the sub-fund by way of ESG scores. The Investment Manager applies a non-financial analysis on a minimum of 90% of the assets of the sub-fund based on the internal proprietary ESG scoring framework. In general, socially responsible companies would have higher ESG score than companies without ESG or sustainability initiatives in the investment universe (i.e. large and mid-cap European companies with market capitalisation of at least EUR 500 million across the main European markets).

After eliminating the bottom 20% of the lowest ESG rated securities in the investment universe, a reference ESG score would be calculated from the remaining higher ESG score securities in the reduced investment universe. The portfolio is then constructed so that the average ESG score of the portfolio would be higher than the reference ESG score of the reduced investment universe.

For the avoidance of doubt, the portfolio manager is not restricted to invest only in the reduced investment universe, as long as the portfolio could match the above average ESG score criteria.

The sub-fund would exclude investment in (i) securities issued by companies that violate any of the principles of the United Nations Global Compact or OECD Guidelines for Multinational Enterprises and (ii) securities issued by companies from the sensitive sectors above that do not comply with the guidelines defined by BNP PARIBAS ASSET MANAGEMENT.

The sub-fund may invest in sovereign debt securities but it does not contemplate to invest more than 10% of its net asset value in securities issued by or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade and/or unrated.

3. BNP Paribas Funds Global Low Vol Equity

The sub-fund will be renamed as **BNP Paribas Funds Sustainable Global Low Vol Equity** in order to reflect the latest investment objective and strategy. The investment objective and strategy will be amended as below (by adding the bolded words and removing the strikethrough words):

Objective

To increase the value of its assets over the medium term by investing in worldwide equities **issued by socially responsible companies**, selected through a process aimed at reducing risk by selecting low volatility securities in the sub-fund.

Strategy

At all times, this sub-fund invests at least 75% of its assets in worldwide equities **issued by socially responsible companies**.

The remaining portion, namely a maximum of 25% of its assets, may be invested in any other securities, money market instruments or cash, provided that the investments in debt securities of any kind do not exceed 15% of its assets and the investments in collective investment schemes do not exceed 10%.

The sub-fund's exposure to currencies is not hedged.

The sub-fund's strategy will focus on reducing risk by selecting low volatility securities.

The Investment Manager will rely on a quantitative model and follow a risk-optimisation process when constructing the portfolio based on a proprietary risk model.

On a monthly basis, the investment manager selects stocks which have displayed the lowest volatility out of the MSCI World index. Stock selection is made across all sectors. A portfolio optimisation is used to determine the specific weightings of each selected stock in order to minimise the tracking error vs. the MSCI World index. The portfolio is rebalanced on a monthly basis.

~~The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT's Sustainable Investment Policy, which takes into account Environmental, Social and Governance criteria in the investment process of the sub-fund.~~

To further elaborate, socially responsible companies refers to companies that are expected to work towards high Environmental, Social and Governance ("ESG") standards including corporate, social and environmental responsibility and environmental sustainability, develop positive relationships with their shareholders, and uphold and support universal human rights.

The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT's Sustainable Investment Policy as defined in the Prospectus, which takes into account ESG standards and integration in the investment process of the sub-fund.

ESG standards are integrated in the investment process of the sub-fund. The ESG standards comprise 1) the 10 principles of the United Nations Global Compact and OECD Guidelines for Multinational Enterprises and 2) the BNP PARIBAS ASSET MANAGEMENT sector policies.

The United Nations Global Compact is a shared framework, recognized worldwide and applicable to all industry sectors. The 10 principles of the United Nations Global Compact in the areas of human rights, labour standards, environmental stewardship and anti-corruption are integrated in the investment process. Similarly, the OECD Guidelines for Multinational Enterprises set out principles for the responsible business conduct of businesses.

BNP PARIBAS ASSET MANAGEMENT has also defined a series of ESG guidelines relating to investments in sensitive sectors including but not limited to palm oil, wood pulp, mining activities, nuclear, coal-fired power generation, tobacco, controversial weapons, unconventional oil and gas and asbestos.

The ESG integration involves the evaluation of the three non-financial indicators below:

- 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 integration above is reflected in the investment process of the sub-fund by way of ESG scores. The Investment Manager applies a non-financial analysis on a minimum of 90% of the assets of the sub-fund based on the internal proprietary ESG scoring framework. In general, socially responsible companies would have higher ESG score than companies without ESG or sustainability initiatives in the investment universe, being all the worldwide issuers (i.e. companies in the MSCI World index).

The sub-fund applies binding and significant ESG integration approach and improves its ESG profile while aiming at reducing its environmental carbon footprint, as measured by greenhouse gas emissions, compared to the investment universe as described in the investment policy.

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:

- after eliminating the bottom 20% of the lowest ESG rated securities in the investment universe, a reference ESG score would be calculated from the remaining higher ESG score securities in the reduced investment universe. The portfolio is then constructed so that the average ESG score of the portfolio would be higher than the reference ESG score of the reduced investment universe, and
- the portfolio manager would select securities with lower carbon footprint, so that the portfolio's carbon footprint would be at least 50% lower than the carbon footprint of the investment universe.

The portfolio manager would not invest in companies in the bottom 10% of the lowest ESG scores in the investment universe. For the avoidance of doubt, the portfolio manager is not restricted to invest only in the reduced investment universe, as long as the portfolio could match the above average ESG score criteria.

The sub-fund would exclude investment in (i) securities issued by companies that violate any of the principles of the United Nations Global Compact or OECD Guidelines for Multinational Enterprises and (ii) securities issued by companies from the sensitive sectors above that do not comply with the guidelines defined by BNP PARIBAS ASSET MANAGEMENT.

The sub-fund may invest in sovereign debt securities but it does not contemplate to invest more than 10% of its net asset value in securities issued by or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade and/or unrated.

As a result of the above changes, “Environmental, Social and Governance Risk” (as below) will be considered as a relevant risk to the 3 sub-funds concerned.

Environmental, Social and Governance Risk

- *The use of ESG standards and analysis may affect the sub-fund’s investment performance and, as such, the sub-fund may perform differently including underperforming compared to similar funds that do not use such standards.*
- *The use of ESG criteria may also result in the sub-fund being concentrated in companies with ESG focus and its value maybe volatile than that of fund having a more diverse portfolio of investments.*
- *ESG-based exclusionary standards used by the sub-fund may result in the sub-fund foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to their ESG characteristics when it might be disadvantageous to do so.*
- *In evaluating a security based on ESG standard, the investment manager may use information and data from third party providers, which may be incomplete, inaccurate or unavailable.*
- *Investment selection of the sub-fund is based on subjective judgement from the investment manager. The investment manager may incorrectly assess the ESG characteristics of a security and may wrongly exclude eligible security.*
- *Due to the lack of standardized taxonomy, the investment manager may not apply the relevant ESG standards correctly or that the sub-fund could have indirect exposure to security which do not meet the relevant ESG standards used by the sub-fund.*
- *ESG standard and expectation are evolving. There is a risk of style drift within the investment limits of the sub-fund.*

Since the current holdings of the 3 sub-funds concerned are already complied with the newly amended ESG standards and requirements, no significant rebalancing of the underlying investments will be required.

B. Securities Lending

The following sub-funds may enter into securities lending transactions, on a continuous basis and for the purpose of raising short term capital in order to enhance liquidity of the sub-funds in a safe way:

Sub-funds	NAV Level	
	Expected	Maximum
BNP Paribas Funds Euro Equity	12%	20%
BNP Paribas Funds Europe Equity	12%	20%
BNP Paribas Funds Europe Growth	12%	20%
BNP Paribas Funds Europe Dividend (to be renamed as BNP Paribas Funds Sustainable Europe Dividend)	12%	20%
BNP Paribas Funds Global Convertible	5%	29%

In relation to securities lending transactions, the securities lending agent shall receive a fee of 15% of the gross revenue for its services related to securities lending and the Management Company shall receive a fee of 15% of the gross revenue for the operational and administrative cost for oversight work undertaken in relation to securities lending. Net revenues of any incremental income earned from securities lending (i.e. 70% of the gross revenue) will accrue to the relevant sub-funds. The revenue received by the sub-funds arising from securities lending transactions as well as the identity of the securities lending agent will be specified in the financial reports of BNP Paribas Funds.

C. Repurchase and Reverse Repurchase Transactions

Repurchase and Reverse Repurchase Transactions will no longer be used for the following sub-funds:

- BNP Paribas Funds Asia ex-Japan Bond
- BNP Paribas Funds Emerging Bond Opportunities
- BNP Paribas Funds Global Inflation-Linked Bond
- BNP Paribas Funds Local Emerging Bond
- BNP Paribas Funds Global High Yield Bond
- BNP Paribas Funds Emerging Multi-Asset Income

D. Reduction of Maximum Other Costs

BNP Paribas Funds Sustainable Multi-Asset Balanced and BNP Paribas Funds Sustainable Multi-Asset Growth

“Other Costs” cover the general asset custody expenses payable to the custodian and the daily administration expenses. The maximum Other Costs payable by the sub-fund would be reduced from 0.35% to 0.30% per annum.

The changes above will not result in any increment in fees level or costs in managing the sub-funds. In addition, no costs or expenses will be incurred in connection with the changes. The changes would not materially change the features and overall risk profile of the sub-funds. There would be no change in the operations or the manner in which the sub-funds are being managed. Further, the change would not materially prejudice the existing investors' rights of interest.

Hong Kong shareholders who do not accept the change mentioned above may ask the redemption of their shares or convert their shares to another SFC-authorized¹ sub-funds of BNP Paribas Funds according to the relevant procedures as disclosed in the Hong Kong Offering Document free of charge from the date of this notice until 6pm Hong Kong time on January 28, 2022.

The Hong Kong Offering Document will be updated to reflect the change above. The current Hong Kong Offering Document of BNP Paribas Funds is available for inspection free of charge at the office of the Hong Kong Representative², during normal business hours on any Hong Kong business day; and on the website at <http://www.bnpparibas-am.hk>³. The updated Hong Kong Offering Document will be available later.

The Board of Directors of BNP Paribas Funds accepts responsibility for the accuracy of the contents of this notice. Hong Kong shareholders may contact BNP PARIBAS ASSET MANAGEMENT Asia Limited, the Hong Kong Representative of BNP Paribas Funds, at (852) 2533 0088 for questions.

December 27, 2021

The Board of Directors

¹ SFC authorization is not an official recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

² The registered office of the Hong Kong Representative is located at 17/F Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

³ This website has not been reviewed by the Securities and Futures Commission of Hong Kong.