ODDO BHF

DISCLOSURE OF ODDO BHF SE PURSUANT TO THE EUROPEAN REGULATION ON SUSTAINABILITY-RELATED DISCLOSURE REQUIREMENTS IN THE FINANCIAL SERVICES SECTOR (SFDR)

I. Consideration of sustainability risks (disclosure pursuant to Article 3 SFDR)

In order to support sustainable investments, Art. 3 SFDR contains the obligation to disclose information on the integration of sustainability risks in investment decision-making processes in course of Portfolio Management and the inclusion of sustainability risks in the performance of investment advisory activities. The approach applied by ODDO BHF SE is explained in more detail below.

1. Sustainability Risks

Environmental conditions, social upheaval and/or poor corporate governance can have a negative impact on the value of our clients' investments and assets in several respects. These risks can have a direct impact on the net assets, financial position and results of operations, and also on the reputation of the investment assets.

Accordingly, Article 2 No. 22 SFDR defines sustainability risks as environmental, social or governance events or conditions, the occurrence of which could have an actual or potential material adverse effect on the value of the investment.

The area of the environment ("**e**nvironmental") concerns, for example, climate protection, the protection of biodiversity and the protection of water and marine resources. Sustainability risks in this area are divided into physical risks and transition risks.

- Physical risks arise in particular with regard to individual extreme weather events and their consequences (such as periods of heat and drought, flooding, storms, hail, forest fires, avalanches) as well as with regard to long-term changes in climatic and ecological conditions (such as precipitation frequency and amounts, weather instability, sea-level rise, changes in ocean and air currents, acidification of the oceans, increase in average temperatures with regional extremes). These can have direct consequences (such as impairment or destruction of operational/production facilities of individual companies or entire regions) as well as indirect consequences (such as in the form of a breakdown of supply chains, the abandonment of water-intensive business activities or armed conflicts). In addition, those who cause environmental damage or companies that have promoted climate change may be held responsible by the state for the consequences.

- Transition risks exist in particular in connection with the transition to a low-carbon economy: for example, political measures can lead to an increase in the price and/or shortage of fossil fuels (examples: coal phase-out, CO2 tax) or to high investment costs due to the necessary renovation of buildings and facilities. New technologies can displace known ones (example: electromobility), changed preferences of contractual partners or customers and societal expectations can endanger companies and their business models that do not adapt to such changes in a suitable way or not in time.

- There is also an interdependence between physical risks and transition risks, as a sharp increase in physical risks would require a more abrupt change in the economy, which in turn leads to higher transition risks.

Events, developments or behaviour that can be assigned to the areas of social affairs ("**s**ocial") and corporate governance ("**g**overnance") can also have a negative impact on the assets, financial and earnings situation of a company if the probability of their occurrence is not sufficiently priced into the valuation of the assets or liabilities concerned. Such risks in the area of social affairs result, for example, from non-compliance with recognised labour standards (e.g. child and forced labour) or binding requirements in the area of occupational safety or health protection. In the area of corporate governance, such risks can arise from tax evasion or corruption, among other things. Such risks materialise, for example, in the form of compensation payments or fines, which usually also has an impact on the reputation of the company concerned.

Sustainability risks can impact and/or contribute significantly to traditional risks of an investment (such as industry, issuer or liquidity risk). Various sustainability risks can also occur cumulatively. Sustainability risks may affect entire sectors, industries and/or regions, and may be subject to widely varying manifestations.

2. ODDO BHF SE's approach to incorporating sustainability risks

Since such risks to the assets, financial and earnings situation, and also to the reputation of the investment assets cannot ultimately be completely ruled out, ODDO BHF SE has developed strategies which provide ODDO BHF SE with the possibility to identify and limit sustainability risks.

In order to limit risks, ODDO BHF SE attempts to identify and, if possible, exclude investments in companies that exhibit an increased risk potential. With specific exclusion criteria, which focus in particular on the business model of a specific investment object, ODDO BHF SE sees itself in a position to also align investment decisions and/or investment recommendations with environmental, social or company-related values. For this purpose, it generally also makes use of data from recognized data providers.

ODDO BHF SE currently applies the following exclusion criteria for new investments at the individual instrument level in portfolio management:

- Sector exclusions: companies with certain turnover shares in weapons, gambling, pornography, tobacco or coal are excluded from investment. The question of which turnover threshold is decisive in each case is resolved on a sector-specific basis: for most sectors currently a turnover share of more than 5% is considered to be decisive, but for some sectors respectively sub-sectors of these sectors other thresholds are considered to be decisive in some cases (for example, an investment in companies that generate revenues in the field of certain weapons is completely excluded; for other sectors, turnover shares greater than 5% are also possible).

- Non-compliance with the principles of the United Nation's Global Compact: companies that violate the principles of the United Nation's Global Compact are excluded from investment.

- Biodiversity: exclusion of companies that claim to operate in or near biodiversity-sensitive areas and have been involved in controversies with serious or very serious adverse impacts on the environment.
- Poor sustainability ratings: companies and countries with poor sustainability ratings are excluded from investment (according to MSCI ESG Research methodology: „B“ sustainability rating or worse).

The sustainability criteria in portfolio management are, in principle (to the extent that corresponding data are available) also to be applied to indirect investments (e.g. funds, certificates). In this context, the above criteria - modified accordingly - apply to indirect investments consolidated at the level of the respective investment instrument.

ODDO BHF SE considers sustainability risks in course of investment advice by excluding financial instruments (including funds) with an MSCI ESG rating below B from a recommendation. However, financial instruments for which no MSCI ESG rating is available can still be recommended by ODDO BHF SE in course of its investment advice.

In addition, sustainability risks are considered in course of investment advice for clients who have indicated sustainability preferences to ODDO BHF SE (in the MiFID questionnaire) by including the corresponding sustainability preferences accordingly as part of investment recommendations (in course of of investment advice) (for example, if the client indicates certain minimum ranges with regard to sustainable investments within the context of SFDR, these minimum ranges are included as part of the investment recommendation). The following sustainability preferences may be indicated:

1. Consideration of principal adverse impacts on sustainability factors (climate-related categories, other environmental-related categories, social and labor areas & human rights-related categories)
2. Sustainable investments
3. Environmentally sustainable investments

Change in the consideration of sustainability risks as of 30.06.23:

Specification of the consideration of sustainability risks in investment advice

Change in the consideration of sustainability risks as of 20.03.23:

Minor editorial/language changes, no changes in content

Change in the consideration of sustainability risks as of 31.12.22:

Clarification of turnover limits for sector exclusions