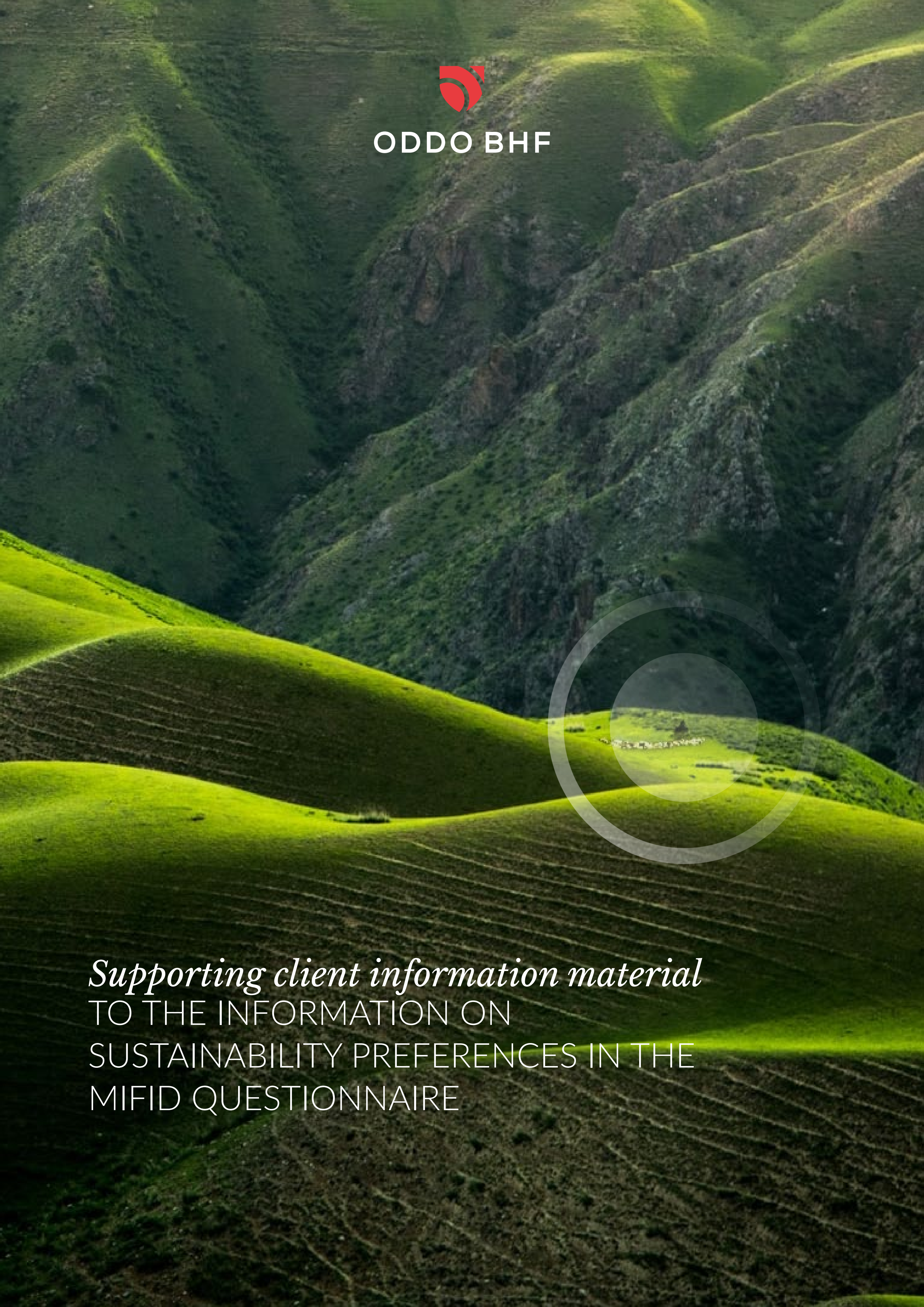


ODDO BHF

Supporting client information material TO THE INFORMATION ON SUSTAINABILITY PREFERENCES IN THE MIFID QUESTIONNAIRE

Content

01

What is SUSTAINABILTY?

WHAT IS *sustainable* DEVELOPMENT?

DEFINITION

> *Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*

Brundtland-Report, 1987

The concept of "sustainable development" goes back a long way, but the first definition did not really emerge until 1987 in a report titled "Our Common Future", written by the United Nations' World Commission on Environment and Development. Used as a framework for debate at the Rio Earth Summit in 1992, the Brundtland Report has since then inspired all of the initiatives to combat climate change and social inequalities.

THE UNITED NATIONS GLOBAL COMPACT (UN GLOBAL COMPACT)

The United Nations Global Compact is an initiative that encourages companies all over the world to adopt sustainable and socially responsible policies around 10 principles in the area of human rights, the environment, and the fight against corruption.

The initiative brings together about 15 500 companies and other stakeholders in 165 countries, with two objectives: "to mainstream the ten principles in business activities around the world" and "to catalyse actions in support of broader UN goals, such as the Sustainable Development Goals (SDGs)".

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Adopted in September 2015 by the 193 member-states of the United Nations, the Sustainable Development Goals (SDGs) are a roadmap to promoting sustainable development on a global scale from now till 2030.

The SDGs cover a broad range of development issues, including poverty, hunger, healthcare, education, climate change, gender equality, water, public health, energy, and environmental and social justice.

The 17 SDGs are so closely linked with one another that achieving one can help achieve others.

WHAT IS *sustainable* DEVELOPMENT?

SUSTAINABLE INVESTMENT

Sustainable investment is the application of the concept of sustainable development to financial investments. It involves investing in companies that create value over the long term and that have a positive impact on all stakeholders (employees, customers, shareholders and suppliers) and on the environment.

WHAT IS *sustainable* INVESTMENT?

SUSTAINABLE INVESTMENT IN FIGURES

In Europe

$2 276bn

is invested in funds that integrate environmental, social or governance criteria.

Accounting for

17%

of total European fund assets.

In the United States

$343bn

is invested in funds that integrate environmental, social or governance criteria.

Worldwide

$2 778bn

Global sustainable fund assets reaching more than

6 450 funds.

Funds labelled "sustainable or responsible" amount to

$827bn

Source: Morningstar, Q1 2022, Novethic, March 2021

WHAT IS *sustainable* INVESTMENT?

SUSTAINABLE DEVELOPMENT OVER THE YEARS

1987

Brundtland-Report
Defined the concept of sustainable development.

1992

2nd Earth Summit in Rio
Meeting of 173 heads of state, adoption of the Rio Convention and establishment of Agenda 21. Established the basis of the Kyoto Protocol.

1997

Kyoto Protocol
An international agreement to reduce greenhouse gas emissions.

2000

Global Compact
An initiative of the United Nations encouraging companies worldwide to adopt socially responsible practices.

2006

Principles for Responsible Investment (PRI)
Launched by the United Nations to encourage investors to apply the six Principles for Responsible Investment.

2015

Paris Climate Conference COP 21
An international climate agreement aiming to limit global warming to between 1.5°C and 2°C by 2100.

2015

The United Nations Sustainable Development Goals (SDGs)
A roadmap for promoting sustainable development worldwide between now and 2030.

2018

Climate Action 100+
An initiative launched in 2017 at the One Planet Summit. Its five-year mission is to engage with and weigh in on major greenhouse gas emitters worldwide.

2019

European Green Deal
Concept by the EU to reduce Europe’s net emissions to zero by 2050 and to meet its ambitions to become the first climate neutral continent.

2021

EU-SFDR regulation 2019/2088
This regulation is part of the ambitions of the EU Sustainable Finance Action Plan and designed to drive sustainability disclosures of financial products.

2022

EU Taxonomy for sustainable activities regulation
This regulation would provide companies, investors and policymakers with definitions for which economic activities can be considered environmentally sustainable.

WHAT IS *sustainable* INVESTMENT?

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The following key topics can be assigned to the criteria of environment, social affairs and governance:

ENVIRONMENT

Environmental pollution
Deforestation
Depletion of natural resources
Carbon emissions
Energy consumption

SOCIAL

Product safety
Employee retention
Working conditions
Human rights

GOVERNANCE

Ownership structure
Rights of minority shareholders
Compensation policy
Members of the Board of Management
Corruption risks

DIFFERENT APPROACHES OF *sustainable investment*

1 – EXCLUSIONS

Norm-based exclusions

Exclusion of companies that fail to meet certain international standards in the areas of chemical weapons, anti-personnel mines, the principles of the Global Compact, and other areas.

Sector-based exclusions

Total or partial exclusion of sectors or businesses based on their negative impacts that they may have on the society, such as tobacco, alcohol, gambling, weapons, etc.

2 – POSITIVE SELECTION

Best-in-class

Approach that favors the companies with the best sustainability characteristics in each sector.

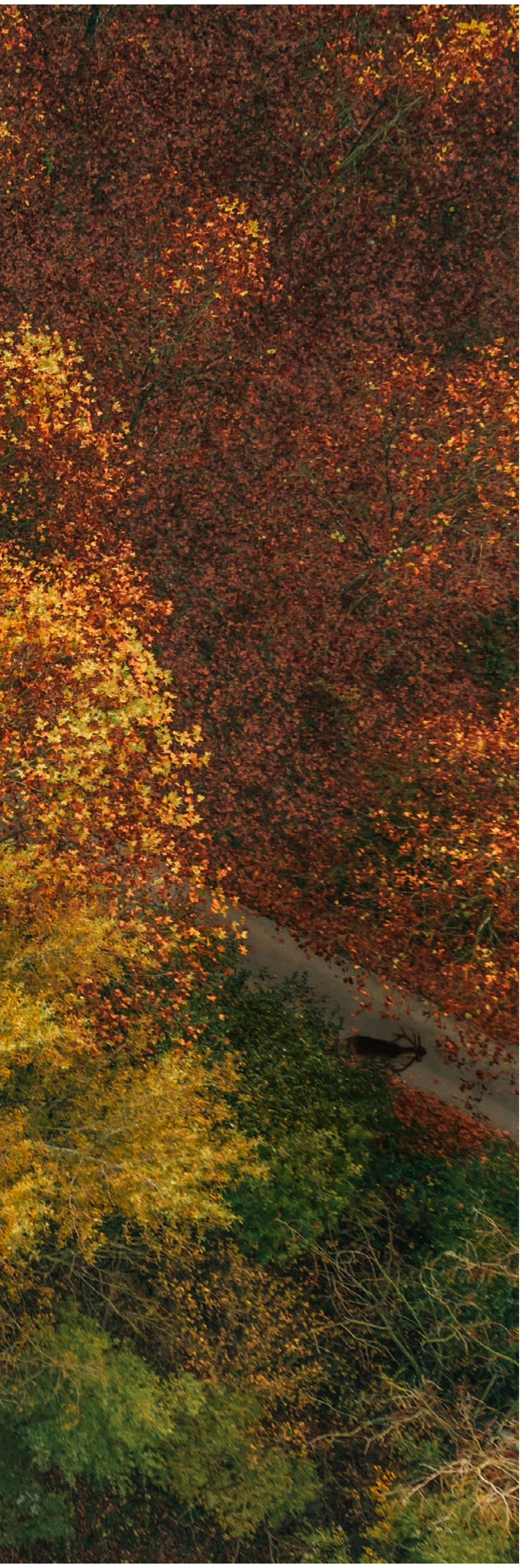
Best-in-universe

An absolute and bottom-up approach focusing on the companies with the best sustainability characteristics within the entire investment universe.

Best effort

An approach that favors issuers demonstrating improvement or good prospects in their ESG practices and performance over time.

DIFFERENT APPROACHES OF *sustainable investment*



3 – THEMES

Investments in companies heavily exposed to long-term ESG issues, such as the climate, carbon emissions, water, and diversity.

ACTIVE OWNERSHIP

Voting

Exercising one's shareholder responsibility through active voting at general meetings of portfolio companies.

Dialogue & Engagement

Encouraging companies to improve their ESG practices through direct dialogue with management, on either a one-to-one basis or through an initiative involving several investors.

4 – IMPACT

Impact investing is when investments are made in companies that consciously and measurably have a positive impact on the environment and/or society, e.g. based on the UN Sustainable Development Goals (SDGS).

02

Regulatory BACKGROUND

Regulatory BACKGROUND

With the adoption of the 2030 Agenda and the Paris Agreement, the EU has committed to a more sustainable economy and society, including meeting ambitious climate and energy targets. Combating climate change, resource scarcity and other sustainability-related problems has been a high priority on the EU's political agenda ever since and the European Commission has subsequently drawn up an action plan and developed various regulatory measures to achieve these objectives. In this regard, the relevant regulations and measures are also aligned with the European Green Deal, a concept introduced in December 2019 with the goal of reducing net greenhouse gas emissions in the EU to zero by 2050. As a result, all greenhouse gas emissions in the EU will eventually have to be offset by appropriate (carbon) sequestration measures.

The measures taken also include requirements to redirect private capital flows into sustainable investments. This is because the European authorities estimate that the investments needed to achieve the political goals cannot be raised by public funds alone. The package of measures on sustainable financing includes, among other things, the following regulations:

- Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector (Sustainable Finance Disclosure Regulation, "SFDR")
- Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment ("Taxonomy Regulation")
- Delegated Regulation (EU) 2017/565) as amended by Delegated Regulation (EU) 2021/1253 (MiFID II Delegated Regulation).

EFFECTS OF THE AMENDED LEGAL FRAMEWORK ON THE RETRIEVAL OF CLIENT INFORMATION

With regard to the retrieval of client information, an obligation was introduced into the regulation for investment firms to identify the client's "sustainability preferences", as part of the inquiry into the client's investment objectives, prior to providing investment advice and/or asset management services. In particular, the new requirements are intended to:

- Give a clear signal to investors, in order to avoid stranded assets and to mobilize sustainable financial resources for future investments
- Allow investment firms to determine a client's individual sustainability preferences, thereby enabling it to define which sustainable investments can be integrated into the client's investment strategy and subsequently to determine the financial instruments offed to the client

Regulatory BACKGROUND

- To prevent unfair sales practices as well as "greenwashing" (i.e. when financial instruments or strategies are falsely presented as being in line with sustainability preferences when in fact they are not).

  Nonetheless, it remains permissible for investment firms to recommend financial instruments that do not qualify according to a client's individual sustainability preferences to continue to be recommended by investment firms, but not as a product that meets individual sustainability preferences. For this to be done, the client has the option to adjust the information on his sustainability preferences.

SUSTAINABILITY PREFERENCES

Sustainability preferences are understood as the client's decision on whether and, if so, to what extent any of the following financial instruments should be included in their investment:

(a) Financial instrument in which the principal adverse impacts on sustainability factors are taken into account, with the qualitative or quantitative elements used to demonstrate this consideration being determined by the client;

b) Financial instruments in which the customer determines that a minimum proportion should be invested in sustainable investments (as defined by SFDR);

c) Financial instruments for which the client determines that a minimum proportion should be invested in environmentally sustainable investments (as defined in the Taxonomy Regulation).

CATEGORY 1: CONSIDERATION OF PRINCIPAL ADVERSE IMPACTS (PAIS) ON SUSTAINABILITY FACTORS

Consideration of principal adverse impacts on sustainability factors

Sustainability is defined in terms of environmental, social and employee responsibility, respect for human rights as well as the fight against corruption and bribery. Generally, the sustainability indicators can be divided into the following categories: "climate and other environmental aspects", "social and employment aspects, respect for human rights and combating corruption and bribery" and "other impacts". The indicators are used to measure whether or not there is a significant negative impact on sustainability factors. In contrast to category 2 (sustainable investments) and category 3 (environmentally sustainable investment), the financial instrument for category 1 (PAIs) does not aim to make a positive contribution, but only takes into account a possible negative impact of the investment on sustainability.

The consideration of the principal adverse impacts on sustainability factors can be done through exclusions, a best-in-class selection and/or dedicated engagement (see chapter "The different approaches to sustainable investing").

Regulatory BACKGROUND

CATEGORY 2: SUSTAINABLE INVESTMENT AS DEFINED IN ARTICLE 2 NO. 17 SFDR

a) Overview

The SFDR establishes harmonized rules for financial market participants[1)] and financial advisors[2)] on transparency. This is done by incorporating sustainability risks as well as by considering the principal adverse impacts on sustainability factors and by providing information on the sustainability of financial products[3)].The product- and company-related disclosure requirements are intended to reduce information asymmetries and thus ensure that sustainability risks and sustainability factors can be taken into account across sectors both in investment decisions and in the advisory processes. For the product-related disclosure obligations, financial products are classified into three categories[4)]:

- Financial products under Article 6 SFDR are so-called "basic products", which do not fall under Article 8 or Article 9 SFDR, and only provide information on the level and nature of sustainability risks taken by investment decisions.
- Financial products under Article 8 SFDR are products which promote environmental and social features. This can also take the form of a combination of these features or include other features, provided that the companies in which investments are made apply good corporate governance practices. These products not only promote environmental and social features, but also specify how these features are met.
- Financial products under Article 9 SFDR are products which seek to make a sustainable investment. These are referred to as "impact products" and always have also to provide explanations on how the intended goals are to be achieved.

1) These include asset managers in particular.

2) These include investment advisors in particular.

3) In addition to funds, this also includes portfolios managed as part of asset management.

4) This product categorization according to the SFDR is not the same as the categories that are relevant in the context of the sustainability preferences query.

Regulatory BACKGROUND

b) Sustainability within the meaning of the SFDR
A sustainable investment, as defined by the SFDR, is an investment in an economic activity which meets the following requirements:

- Contribution to the achievement of an environmental objective or a social objective, including:
  - contributions to the achievement of an environmental objective, as measured, for example, by key indicators of resource efficiency in the use of energy, renewable energy, raw materials, water and soil, waste generation, and greenhouse gas emissions, or impacts on biodiversity and the circular economy
  - the contribution to the achievement of a social objective shall be assumed, in particular for investments that contribute to the fight against inequalities or promote social cohesion, social inclusion and labor relations. Also included are investments in human capital as well as investments which benefit economically or socially disadvantaged groups within the population
- Not significantly harm any other environmental or social objective
- Concern companies which apply good corporate governance practices, particularly with respect to sound management structures, employee relations, employee compensation and tax compliance

There is currently no standard industry calculation of the percentage of sustainable investments. Each bank may use its own data points and calculation methods. To remain conservative and in line with other ESG calculations (CO_2 intensity, ESG rating, etc.), we follow the following calculation methodology:

Example of calculation of sustainable investments:

Security	Weight in the portfolio	Share of sustainable investments
Security A („A“)	20%	30%
Security B („B“)	30%	40%
Security C („C“)	10%	5%
Security D („D“)	20%	–
Security E („E“)	20%	–

Portfolio coverage ratio = 60% = (A) 20% + (B) 30% + (C) 10%
Portfolio share of sustainable investments = 31,0% = (20% * 30% + 30% * 40% + 10% * 5%) / 60%

Regulatory BACKGROUND

Description of the calculation:
- To determine the sustainable investment at the portfolio level, the coverage ratio must first be calculated.
- The coverage ratio is the sum of the weights of the securities in the portfolio for which data are available.
- Securities for which data are not available, either because the data provider does not cover these securities (e.g. small listed companies) or because they are cash, are not included in the calculation. In contrast, securities with 0% sustainable investment are considered.
- In a next step, a weighted average is calculated by multiplying the weight of each security by the percentage of sales with sustainable investments for each financial instrument.
- To obtain a value at the portfolio level, this result is extrapolated to the total holdings (100%). To do this, the previously calculated weighted average is divided by the portfolio coverage ratio.

CATEGORY 3: ENVIRONMENTALLY SUSTAINABLE INVESTMENT WITHIN THE MEANING OF ARTICLE 2 NO. 1 OF THE TAXONOMY REGULATION

a) Environmentally sustainable investments within the meaning of the Taxonomy Regulation
Environmentally sustainable investments are investments in environmentally sustainable economic activities that meet the following conditions:

1) The economic activity must make a significant contribution to the achievement of one or more of the environmental objectives. The total of six environmental objectives that form the basis for determining an economic activity as environmentally sustainable are:

1. Climate change mitigation
2. Adaptation to climate change
3. Use/protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention/reduction
6. Protection/restoration of biodiversity and ecosystems

2) The economic activity must not significantly harm the other environmental objectives.

3) The economic activity must comply with the minimum protection procedures. Procedures for compliance are:

1. OECD Guidelines for Multinational Enterprises
2. UN Guiding Principles on Business and Human Rights
3. ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work.
4. International Charter of Human Rights

In implementing this procedure, companies must also adhere to the principle of “avoid significant harm”, the so-called “do no significant harm” (DNSH) principle.

Regulatory BACKGROUND

b) Data calculation and availability
The Taxonomy considers clear and obvious green activities such as wind power, solar energy, recycling, electric vehicles, etc., but also transitional activities that need to be decarbonized, such as cement, steel or aluminum, if they meet certain carbon limits.

Revenue aligned to the Taxonomy is revenue generated from an activity that is included in the Taxonomy and meets all the technical criteria set out in the regulation to be considered sustainable.

The EU Taxonomy is relevant to the majority of global companies, but compliance numbers are likely to remain very low for now. The average aligned turnover in the MSCI All Country World Index ("ACWI") was only 5% in June 2022. The average aligned turnover is the weighted average result of the weighting in the index multiplied by the EU Taxonomy alignment.

Example for the calculation of environmentally sustainable investments:

Security	Weight in the portfolio	Share of environmentally sustainable investment
Security A	20%	30%
Security B	30%	0%
Security C	10%	5%
Security D	20%	–
Security E	20%	–

Portfolio share of environmentally sustainable investments (taxonomy-alignment) =
6,5% = (20% * 30%) + (30% * 0%) + (10% * 5%)

Calculation Description:
- A weighted average is required to calculate the share of environmentally sustainable investments at the portfolio level.
- Where no data is available from the data provider (e.g. for cash, gold, individual stocks, bonds or funds and ETFs), they are assumed to have a share of 0% taxonomy-compliant investments.

The data currently used is based on estimates made by our data supplier (MSCI). Companies do not have to report and publish the share of taxonomy-aligned activities until 2023, so currently only isolated data is available to calculate the quotas.

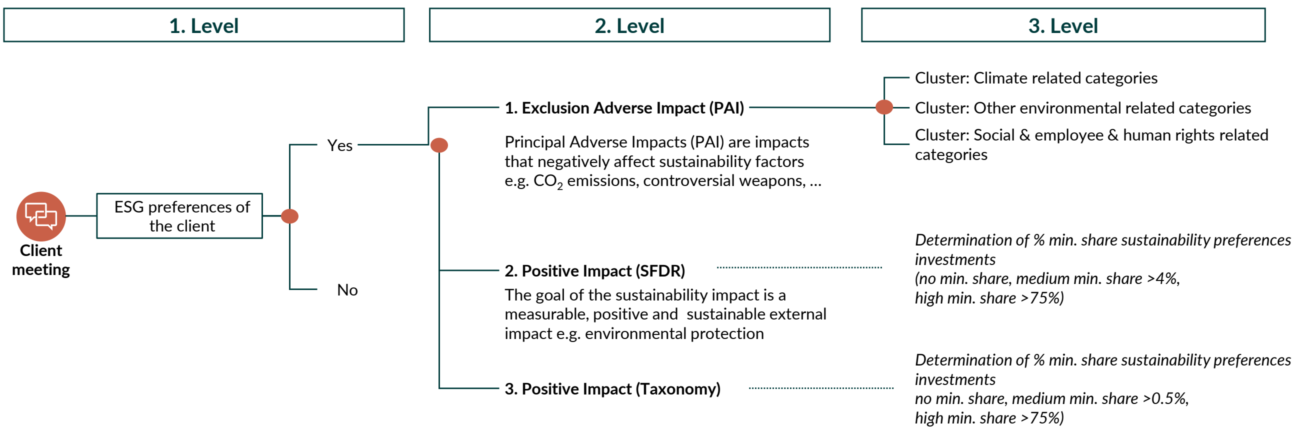
Explicit evaluation criteria are currently only available for two (climate protection and adaptation to climate change) out of six environmental goals. The regulation for these two environmental goals has already entered into effect, while the regulations for the remaining four environmental goals are still at the draft stage.

Regulatory BACKGROUND

ALIGNMENT OF SUSTAINABILITY PREFERENCES AND OTHER INVESTMENT OBJECTIVES (INVESTMENT ADVICE AND ASSET MANAGEMENT).

Before retrieving your sustainability preferences, we first evaluate your traditional investment objectives, your risk tolerance, your desired investment horizon, and your individual circumstances, as they remain. If your expressed sustainability preferences do not allow us to offer you a financial instrument or financial product that is suitable for you, you have the option of adjusting your sustainability preferences. This change must be documented both in the MiFID questionnaire and in the declaration of suitability accordingly.

Process to retrieve sustainability preferences



Please refer to the sustainability-related disclosure of ODDO BHF AG and ODDO BHF Trust GmbH for further information on our sustainability approach as well as our Corporate Social Responsibility Report (CSR Report).

CSR-Report 2021 of ODDO BHF

Visit our website:
oddo-bhf.com

GLOSSARY

AGENDA 21
An action plan for the 21st century adopted by 120 heads of state at the Earth Summit in Rio de Janeiro in June 1992.

CLIMATE ACTION 100+
An initiative launched in 2017 at the One Planet Summit. Its five-year mission is to engage with and weigh in on major greenhouse gas emitters worldwide.

COP
At the Earth Summit in Rio de Janiero in 1992, the United Nations adopted a framework for action in combatting climate change, called the United Nations Framework Convention on Climate Change (UNFCCC). The agreement was signed by almost all countries, who were called "Parties". Their representatives have met once a year since 1995 at the Conferences of the Parties (COP).

ESG CRITERIA
Environmental, social and governance criteria are used to assess an issuer's strengths or weaknesses. ESG terminology was developed and promulgated in the United Nations Principles for Responsible Investing (UN PRI).

EU GREEN DEAL
Plan voted by the EU Parliament in January 2020 and aiming at making the EU "climate neutral" by 2050 by reducing its GHG emissions by 55% (baseline: 1990)

EU TAXONOMY
A classification system to create a harmonized understanding of what constitutes a "green" investment and thus prevent greenwashing (active in 2022).

KYOTO PROTOCOL
Signed on 11 December 1997, the Kyoto Protocol is an international agreement committing signatory countries to reduce their greenhouse gas emissions by at least 5% from 2008 to 2012 compared to their 1990 level. (Greenhouse gases include carbon dioxide, methane, nitrous oxide and three chlorofluorocarbon substitutes.)

SUSTAINABILITY FACTORS
Environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery.

SUSTAINABILITY RISK
The term sustainability risk is defined by Article 2 No. 22 SFDR as an environmental, social or governance event or condition, the occurrence of which could have an actual or potential material adverse effect on the value of the investment.

STRANDED ASSETS
Assets whose value or income unexpectedly declines significantly, in extreme cases to the point of total worthlessness.[5)]

5) Fritz, ZStV 2022, 73 (76)

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