

Policy on Integrating Sustainability Risks into the Investment Decision-Making Process

1. REGULATORY CONTEXT

In accordance with the EU regulation 2019/2088 of 27 November 2019 (“SFDR”) and more particularly article 3, the management company ODDO BHF Private Equity SAS, must publish on its website its policy on the integration of sustainability risks in the investment decision-making process.

2. PERIMETERS OF THE POLICY

This policy applies to funds managed by ODDO BHF Private Equity SAS (“Management Company”) that integrate sustainability risks into their investment process, i.e. to financial products falling under article 8 (financial products with environmental and social characteristics) of the regulation (“Concerned Funds”). The Management Company does not manage products falling under article 9 (financial products with a core sustainable investment objective).

The Management Company does not integrate sustainability risks into the investment process for article 6 financial products.

3. SUSTAINABILITY RISK INTEGRATION APPROACH

Introduction

The integration of sustainability risks is based on the Principles for Responsible Investment (PRI) signed by ODDO BHF Private Equity SAS in 2014. The Principles for Responsible Investment are part of our approach to private equity asset management, which is based on fundamental analysis of underlying assets and a long-term investment horizon in order to effectively consider extra-financial risks and opportunities. The Management Company thus ensures that environmental and social criteria, that are important to investors, are considered in the investment decision-making of the concerned funds.

Indeed, the Management Company is convinced that, in addition to quantitative criteria, it creates long-term value for its clients based on an in-depth analysis of underlying assets (via a transparency portfolio).

The Management Company’s investment team works with an external provider to analyze the investment opportunities and provide reporting to investors.

Integration of Sustainability Risks

Concerned funds address sustainability risks by integrating environmental and social criteria into the investment decision making process.

In 2017, ODDO BHF Private Equity SAS aligned its investment objectives with the 17 United Nations' Sustainable Development Goals (SDG). The SDGs were signed by 193 countries in

September 2015, as a sustainable development agenda (“Agenda 2030”). Concretely, concerned funds may currently consider one or more of the following SDGs:

- Good Health and Well-Being (UN SDG 3)
- Clean Water and Sanitation (UN SDG 6)
- Affordable and Clean Energy (UN SDG 7)
- Decent Work and Economic Growth (UN SDG 8)
- Industry, Innovation and Infrastructure (UN SDG 9)
- Sustainable Cities and Communities (UN SDG 11)
- Responsible Consumption and Production (UN SDG 12)
- Climate Action (UN SDG 13)
- Life Below Water (UN SDG 14)
- Life on Land (UN SDG 15)

The aforementioned SDGs enable us to position ourselves in each economic sector according to the opportunities and risks of sustainable development and to take into account, when appropriate, identifiable positive effects.

Assessment methodology of environmental and social criteria

Investment Eligibility

Prior to any investment, the management team of concerned funds issues an Environmental, Social and Governance (“ESG”) specific self-assessment questionnaire to the third-party managers of the investment opportunity in order to:

- Establish whether the third-party manager has a high quality general ESG awareness, due diligence and portfolio company implementation process in place; as well as high quality ESG monitoring and reporting;
- Assess the likely level of conformity of future underlying investments in regards to the investment policy of the concerned funds.

At this stage of the investment process, the Management Company will be assisted by an external assessment provider.

The Management Company’s investment team includes in their investment memorandum a separate assessment and conclusion based on the questionnaire as well as an analysis of the necessary investment documentation and in person interactions with the third-party manager, on the ESG quality of the third-party manager as well as of the investment policy conformity with the investment opportunity. The results of this analysis, including an assessment of potential sustainability risks, is integrated in the investment memorandum and presented to the investment committee’s participants.

When appropriate, the Management Company’s investment team includes in the side-letter related to investment opportunities any clarifications, a precision of reporting obligations with regards to the investment policy, and changes or ESG improvement obligations, on the part of the third-party manager of a proposed Investment.

Sustainability Risk Management

The Management Company also analyses the ongoing status of the ESG assessments as well as the conformity with the investment policy and provides a summary of this information in the concerned funds' quarterly reports.

To obtain information of investments, the Management Company addresses at least annually questionnaires to third-party managers in order to identify the conformity of investments with the investment policy and to identify potential sustainability risks.

Controls are organized at two independent levels:

- First level controls are carried out by operational teams, i.e. managers, analysts, and the middle office.
- Second-level controls are carried out by the risk and compliance department, independently of "risky" activities.

In terms of organization, the Risk & Compliance department is independent of the managers and reports directly to the Chairman of ODDO BHF Private Equity SAS. Compliance assesses the eligibility of the underlying assets in the concerned funds before the conclusion of the investment, and follow-ups with managers on the evolution of the funds to comply with the investment policy of the funds. If necessary, an escalation procedure exists in case of any incident or violation.

If necessary, the results of the second level controls are escalated in the quarterly Compliance, Internal Control and Risk Committee meetings.

Updated on 3rd March 2021