Sustainable investing & ESG

Article 173 (§ VI) of the French Law on the Energy Transition for Green Growth

JULY 2021

Agenda

Sustainable investing: the approach of ODDO BHF Asset Management SAS

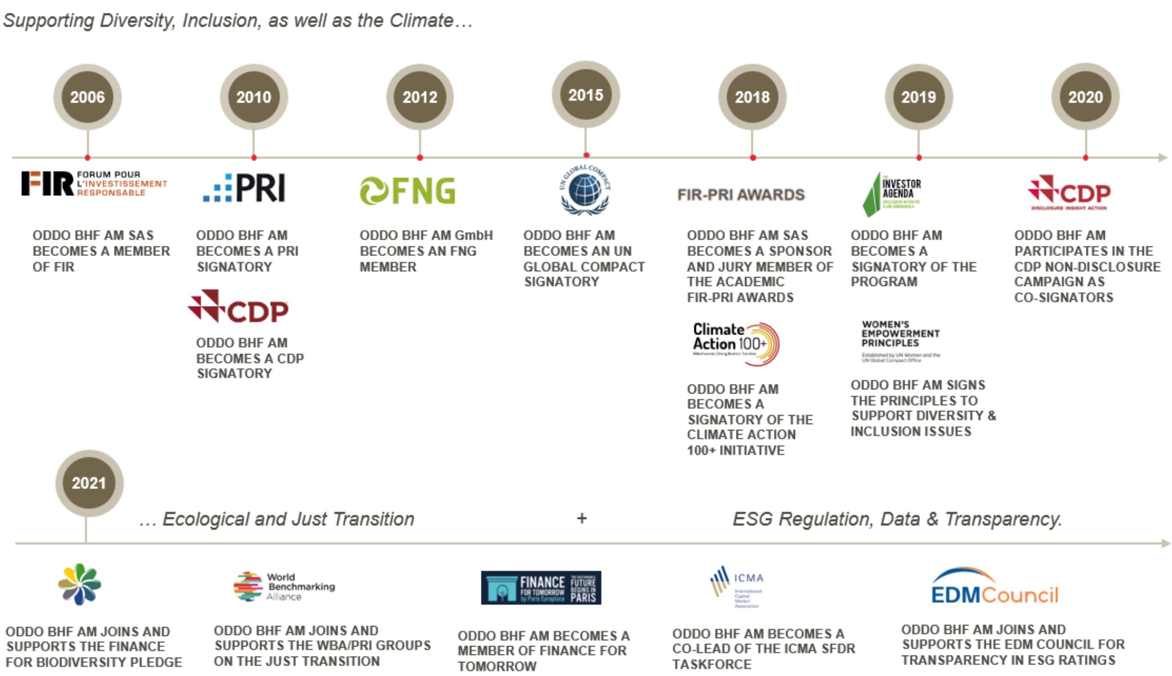
1. Our general approach to integrating ESG criteria

The commitment of ODDO BHF Asset Management SAS to the integration of ESG criteria is rooted in the long-term focus of its business as the asset management subsidiary of an independent financial group with origins dating back to 1849 and a stable and long-term shareholding structure: 65% of the firm is owned by the Oddo family, 25% by its employees and 10% by others investors as at 31 December 2020. Corporate Social Responsibility is therefore an essential part of the group's DNA.

Our ESG integration approach is based on the Principles for Responsible Investment (PRI) signed by ODDO BHF Asset Management in 2010. The Principles for Responsible Investment are in line with our philosophy and approach to integrate ESG into asset management, which is based on fundamental analysis and to engage with stakeholders on sustainability issues.

Our ESG integration process is based on fundamental analysis, with a long-term investment horizon, in order to factor in sustainability risks and opportunities effectively. We thus ensure that those ESG criteria that are significant for investors are reflected in our analysis and evaluation of issuers, just like traditional financial criteria.

A look back at our sustainable investor approach (2006-2021)



Source: ODDO BHF Asset Management SAS

ODDO BHF Asset Management took another step towards structuring its responsible investor policy in 2019 when it published its 2022 roadmap based on five pillars:

- ESG coverage
- ESG integration
- Climate strategy
- Training & promotion
- ESG reporting

2. Our commitments to promoting sustainable finance

For several years now, ODDO BHF Asset Management SAS has been involved in international and national initiatives to promote, engage and educate on sustainable investing.

Our involvement in these initiatives provides us with collaborative engagement opportunities to address longer-term sustainability issues and provides material inputs for investment-decision making.

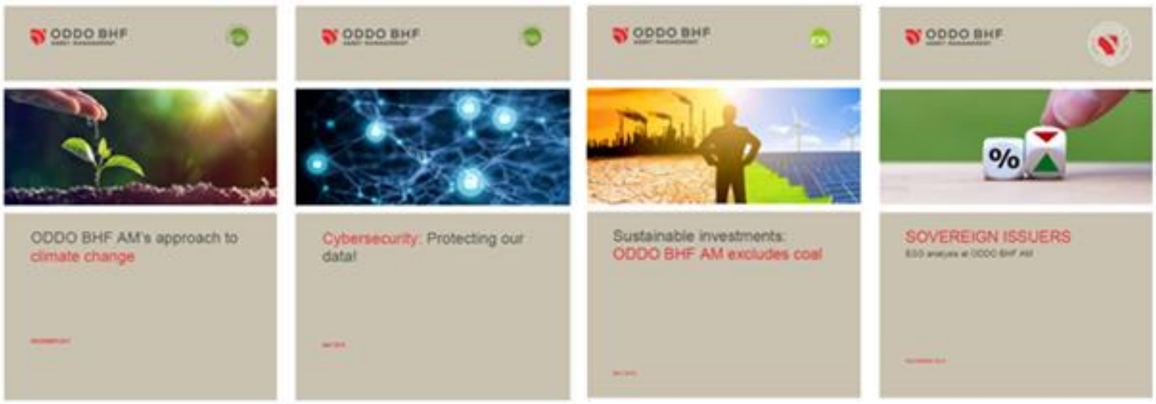
Signatory	Member	Support
United Nations Global Compact	FIR Forum pour l'Investissement Responsable	The Investor Agenda
PRI Principles for Responsible Investment	Climate Action 100+	TCFD
CDP	Finance for Tomorrow – The Sustainable Future Begins in Paris	
	Finance for Biodiversity Pledge	
	World Benchmarking Alliance	

As a signatory since 2010 of the Principles for Responsible Investment (PRI), we have been rated A+ for several years on strategy and governance. ODDO BHF Asset Management SAS supports, and takes part in, several other climate initiatives, including CDP, Climate Action 100+, Investor Agenda, and TCFD*. In 2021, we also joined the Finance for Biodiversity Pledge, and became founding members of Finance for Tomorrow's (F4T) and World Benchmarking Alliance's (WBA) Just Transition initiatives.

In France, we have sat for several years on the Dialogue & Engagement Committee of the Forum for Responsible Investment (FIR). The committee works with listed companies, all year long and during annual general meetings, to promote common ground on several issues coming under their social and environmental responsibility.

ODDO BHF Asset Management SAS also maintains close ties with the academic world on sustainable finance research by sponsoring and serving as a jury member for the FIR-PRI European Finance and Sustainable Development Research Prize. In 2020, in its fifteenth year, the Prize recognised the work of students and researchers of five different nationalities in five categories: research article, doctoral dissertation, master's thesis, research grant and educational innovation.

To establish more clarity, consistency and comparability in ESG data, ratings and regulation across Europe, ODDO BHF AM now also supports the Enterprise Data Management Council's working group on ESG data and metrics and co-chairs the International Capital Market Association's (ICMA) SFDR working group. Research also forms a core part of our ESG efforts. We are regularely publishing thematic white papers, contribute to third party reports and support a broad range of global speaking engagements to educate clients and other stelholders on relevant ESG topics.



3. Our offering of sustainable funds

To ensure a robust and diligent approach, ODDO BHF Asset Management SAS has integrated ESG into its investment processes around three systematic stages: exclusion (normative and sector-based), ESG ratings using our in-house research model, and dialogue and engagement with issuers.

As of 31 December 2020, 52% of our mutual funds integrated ESG criteria in their investment process at ODDO BHF Asset Management SAS.

One of the year's biggest highlights was the awarding of the SRI label to six of our open-ended funds:

- ODDO BHF Avenir
- ODDO BHF Avenir Euro
- ODDO BHF Avenir Europe
- ODDO BHF Génération
- ODDO BHF Sustainable European Convertibles
- ODDO BHF Sustainable Euro Corporate Bond

We also received the FNG label in Germany for one fund managed by ODDO BHF Asset Management SAS :

- ODDO BHF Sustainable Euro Corporate Bond

All information on the methodology for integrating ESG into these six open-ended funds is available in their respective SRI Code of Transparency, which can be found on our website: https://am.oddo-bhf.com/

4. Our resources dedicated to sustainable investing

4.1 An ambition shared by all teams

At ODDO BHF Asset Management, we have established a proven track record and a dedicated governance structure for ESG across the firm that is supported by three Committees: the ESG Strategy, the ESG Policy and the ESG Investment Committee.

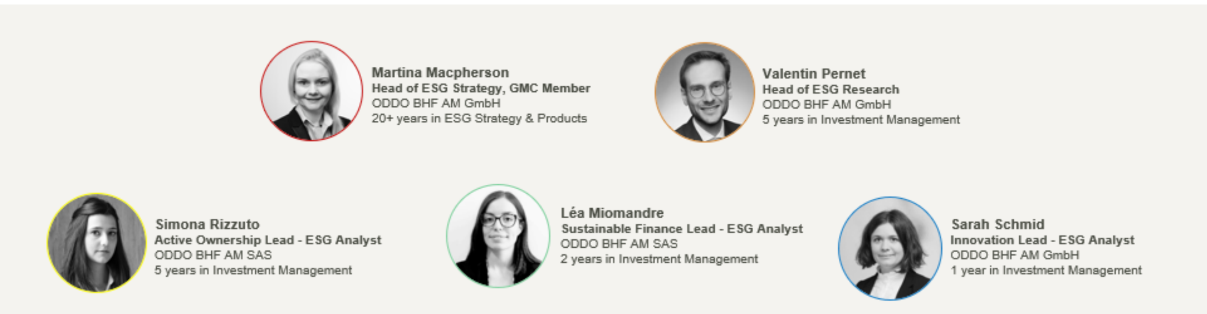
The Chief Investment Officer (CIO), the Head of ESG Strategy, the Head of ESG Research, the Chief Risk and Compliance Officer, the Chief Product and Marketing Officer, portfolio managers and other key managers participate in these ESG Committees to ensure the alignment on sustainability topics.

In implementing the second pillar of its 2019-2022 ESG Integration Roadmap, ODDO BHF Asset Management SAS made the decision to phase in its sustainable investment strategy across asset classes and investment strategies, including fundamental equities, credit, convertible bonds, diversified funds, private equity, and thematic funds.

All investment management teams are, or will be, working with the ESG research team in structuring the three systematic stages of our ESG integration approach – exclusions, integration of ESG ratings, and active ownership (dialogue, engagement and voting).

The ESG team consists of five dedicated analysts with diversified and multi-discplinary backgrounds covering expertise in strategy, research, and investment. The head of the ESG strategy reports to the CEO of ODDO BHF Asset Management SAS and is part of the Global Management Committee (GMC).

ESG Research Team



Source: ODDO BHF Asset Management SAS

4.2 A balance between internal and external research

Despite numerous normative initiatives and new regulations covering extra-financial disclosure, accounting and reporting, ESG data, research and investing still lack universally recognised, harmonised standards and frameworks.

At ODDO BHF Asset Management SAS, it is our conviction that we create long-term value for our clients on the basis of an in-depth analysis of companies' financial and extra-financial criteria, such as human capital, reputation, and innovation.

While investing in issuers of all market sizes and across asset classes, ODDO BHF Asset Management SAS seeks to avoid and to address ESG information biases. We have chosen to develop our own ESG research model and we utlise inputs from multiple ESG information and rating sources.

The ESG team supplies its in-house research model with data from:

- Company publications (reports and presentations)
- External ESG research providers (including MSCI, ISS and CDP)*
- External suppliers of raw financial and non-financial data (Bloomberg, FactSet)
- Specialised broker publications (including thematic research)

This bottom-up approach involving ESG specialists, management teams, and external suppliers for quantitative data and qualitative information gives us a holistic view for each company and sector in relation to ESG.

Integrating ESG criteria into our research and investments

1. Background

The proprietary ESG research and rating model developed in-house by ODDO BHF Asset Management SAS is based on the United Nations Global Compact, of which ODDO BHF has been a signatory since 2015. The Global Compact is based on 10 principles dealing with human rights, labour rights, the environment, and the fight against corruption, and is based on major international norms and conventions such as the Universal Declaration of Human Rights, ILO conventions, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

The 10 principles of the UN Global Compact

HUMAN RIGHTS	**1.** Businesses should support and respect the protection of internationally proclaimed human rights. **2.** Make sure that they are not complicit in human rights abuses.
LABOUR	**3.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. **4.** The elimination of all forms of forced and compulsory labour. **5.** The effective abolition of child labour. **6.** The elimination of discrimination in respect of employment and occupation.
ENVIRONMENT	**7.** Businesses should support a precautionary approach to environmental challenges. **8.** Undertake initiatives to promote greater environmental responsibility **9.** Encourage the development and diffusion of environmentally friendly technologies.
ANTI-CORRUPTION	**10.** Businesses should work against corruption in all its forms, including extortion and bribery.

Source : Organisation des Nations Unies

In 2017, we also adopted and linked our methodology to the the United Nations' Sustainable Development Goals (SDGs) and its "Agenda 2030". These Goals, were signed in September 2015 by 193 countries.

In practical terms, the SDG-alignment of our methodologyis allows us to grasp each economic sector's degree of exposure to sustainable development challenges.

These are assessed across 68 sectors using 12 thematics linked to corporate and sector materiality. These thematics are clean energy, energy efficiency, biodiversity, the circular economy, sustainable mobility, basic rights, employment, healthcare, education, inclusion, technological innovation and business ethics.

Of the 169 targets defined around the 17 SDGs, we have chosen 37 targets that are relevant from a materiality perspective and directly applicable to companies. We have attached one or more SDGs to each of these 12 thematics.

SDG-based sector matrix

Level-2 BICS sectors	Clean energies (7 Affordable and clean energy; 13 Climate action)	Circular economy (11 Sustainable cities and communities; 12 Responsible consumption and production)	Education (4 Quality education; 8 Decent work and economic growth)	...	Net Impact Score	ESG ranking
Energy Equipment & Services				...	7	2
Oil, Gas & Consumable Fuels				...	5	1
Chemicals				...	10	3
Construction Materials				...	12	3
Containers & Packaging				...	10	3
Metals & Mining				...	4	1
Paper & Forest Products				...	12	3
Aerospace & Defense				...	9	2
Building Products				...	13	3
Construction & Engineering				...	10	3
...	...	...	...	...	...	...
...	...	...	...	...	...	...
Technology Hardware, Storage & Peripherals				...	17	5
Electronic Equipment, Instruments & Components				...	14	4
Semiconductors & Semiconductor Equipment				...	16	4
Diversified Telecommunication Services				...	16	4
Wireless Telecommunication Services				...	18	5
Electric Utilities				...	15	4
Gas Utilities				...	8	2
Multi-Utilities				...	9	2
Water Utilities				...	15	4
Ind. Power and Renewable Elect. Producers				...	19	5
...	...	...	...	...	...	...
...	...	...	...	...	...	...

Source: ODDO BHF Asset Management SAS

2. Type of ESG criteria in use

Our ESG research of companies is based on 10 themes including three environmental, four social, and three governance themes covering the United Nations Global Compact.

Intangible social assets such as human resources, innovation, and stakeholder relations are prominent criteria in our analysis model, and are being assessed using both quantitative and qualitative criteria.

When analyzing companies, our objective is to avoid size or country biases and to focus on the most material sustainability factors for this company and its sector.

Environment

The analysis of the "Environment" (E) category assesses firstly the existence and adherence to a company's environmental management system (EMS), in order to measure the company's degree of maturity and the progress being made in environmental management. The analysis of environmental opportunities and/or risks that we then carry out is also inspired by the work of the international working group on climate reporting (Taskforce on Climate-Related Financial Disclosures (TCFD). The analysis of opportunities deals with the products and/or services offered by the investee company, with a strong focus on their the company's environmental value-add. The risk analysis consists of reviewing a company's alignment with the TCFD recommendations while assessing the governance of climate issues, evaluating the climate strategy, the risk management (transition risks and physical risks) and the longer-term goals and scenarios that have been set.

The main criteria for the Environment category

Environmental management system (EMS)	• Carbon intensity • Water use intensity • Energy mix • Waste management • Certification policy
Environmental opportunities	• Products and/or services with environmental value added (EU Taxonomy alignment)
Environmental risks	• Governance of climate risks • Evaluation of strategy • Management of climate risks • Objectives

Source : ODDO BHF Asset Management SAS

Social

Within the "Social" category , we see human capital (management, including the quality of management / human resources,) as a a key factor for a company's long-term vision, mission and strategy. Human capital management and related social issues form hence a major pillar in our ESG research, ratings, and analysis model.

Leadership, talent management, and a board's cognitive direction towards diversity, as well as a clear pathway for innovation are all key issues to which we pay special attention when we assess companies.

In addition, we are taking an interest in the company's social ecosystem, including brand value, client capital, technological capital, and supply chain,) which allows us to better assess the long-term, and sometimes hidden value drivers related to the corporate value chain.

The main criteria for the Social category

Regulation	▪ Regulatory opportunities ▪ Regulatory risks
Licence to operate / reputation	▪ Track record of incidents / controversies
Human capital	▪ Profile of the CEO ▪ Composition of management team ▪ Middle management ▪ Human resources management+
Social ecosystem	▪ Client capital ▪ Technological capital ▪ Supply chain management

Source: ODDO BHF Asset Management SAS

Governance

In the "Governance" category, we focus on governance and business ethics from multiple points of view, and monitor important issues such as the track-record of incidents, tax transparency, and the exposure to the risk of corruption at a sector and sovereign level.

To prevent analysis biases, we make a distinction between companies based on their ownership structure, i.e. (noncontrolled, controlled, and family-owned,) and their size, i.e. large caps vs. mid & small caps).

The main criteria in the Governance block

Sustainable development strategy	▪ Signatory to the Global Compact ▪ Sustainable development leadership, targets, reporting ▪ External certification of ESG data
Corporate Governance	▪ Minority shareholder rights ▪ Separation of functions ▪ Organisation of the CEO's succession ▪ Compensation policy ▪ Board composition ▪ Internal control ▪ Financial reporting
Business ethics	▪ Track record of incidents ▪ Exposure to corrpution risks

Source: ODDO BHF Asset Management SAS

3. Our proprietary ESG methodology and internal analysis model

At ODDO BHF Asset Management SAS, our approach for ESG integration places great emphasis on the criteria of governance and human capital and thus significantly deepens our understanding of the financial and extra-financial risks linked to all companies in our ESG portfolios.

The investment analysis is conducted by our fund management teams, supported by the ESG research, scores and analysis, thus enables us to identify the financial and extra-financial risks that each issuer might potentially face and to determine whether or not they pose a significant threat to the company's ability to deliver on its strategy, ambitions and targets.

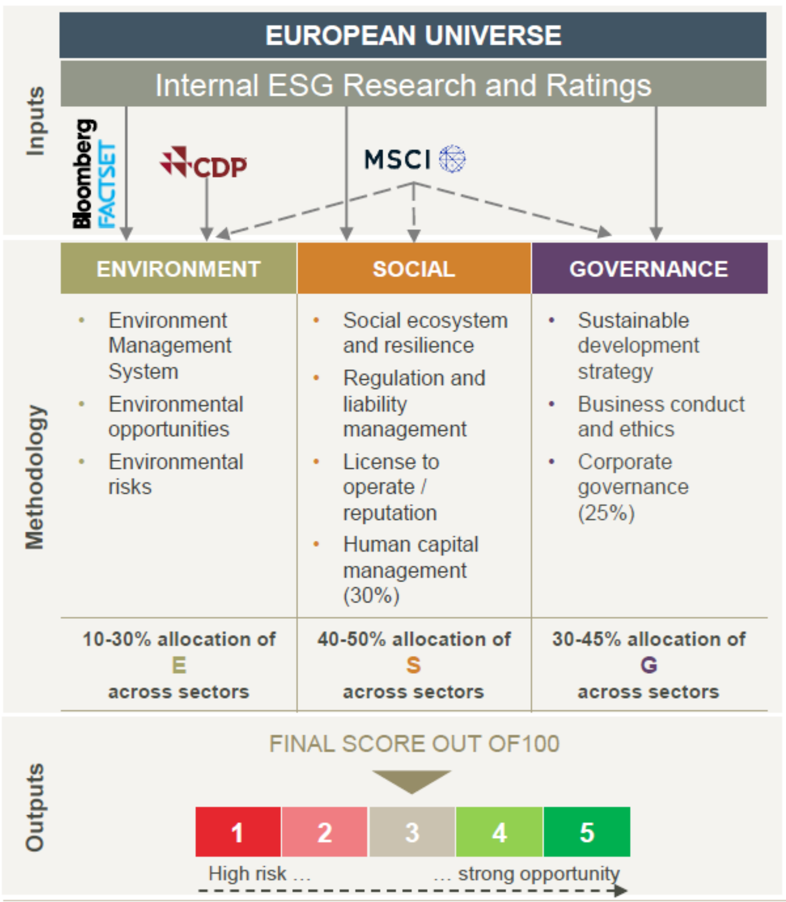
The weighting assigned to each of the Environmental, Social and Governance categories is established for each sector based on our SDG materiality matrix depending on long-term risks and opportunities (see also section 2.1 of this document). For instance, the media sector will have a 10% weighting for the Environment module and 50% weighting for the Social module, compared with 30% and 40% respectively for the energy sector.

Our analysis model includes an assessment of ESG controversies (industrial accidents, pollution, corruption charges, anti-competitive practices, product safety, supply chain management, etc.) based on information provided by MSCI and proprietary research, which therefore has a direct impact on the final ESG score assigned to each company.

Each company that is being analysed obtains an absolute score out of 100 points for each of the three modules - E, S and G, and an aggregate ESG score after each module has been weighted. The final score obtained by each company is then compared versus the whole universe analysed. This “best-in-universe” and “best effort” analysis and scoring (see section 2.3) is split into five ESG levels: Strong Opportunity (5), Opportunity (4), Neutral (3), Moderate Risk (2) and High Risk (1).

Company analysis updates are carried out whenever the fund managers and ESG analysts meet the company in question, otherwise commonly every 18 to 24 months on average. A positive or negative development such as an ESG controversy may also change a company’s score at any time.

Structure of our internal ESG analysis model

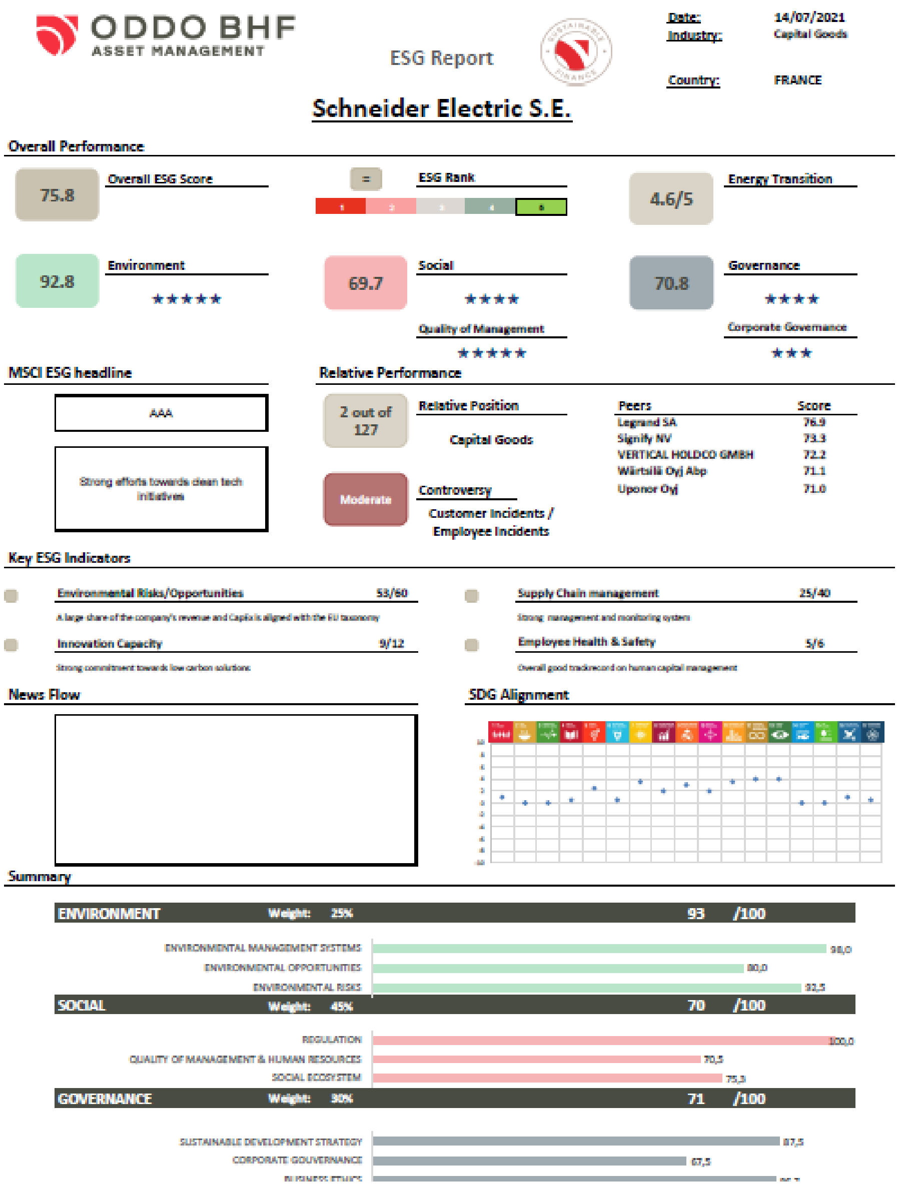


Source: ODDO BHF Asset Management SAS

The fund management teams can access the ESG factsheets for any of the stocks in their investment universe on a day-to-day basis, enabling them to obtain rapid and up-to-date information on the stocks and securities in their portfolios.

We are reporting transparently on the ESG performance of our funds. Our dedicated fund factsheets include the company's overall ESG score but also scores for each E, S and G category. In addition, we highlight the main recent items of newsflow and the top 4 most relevant issues for the sector in which the company operates.

Sample company datasheet from our in-house ESG research model

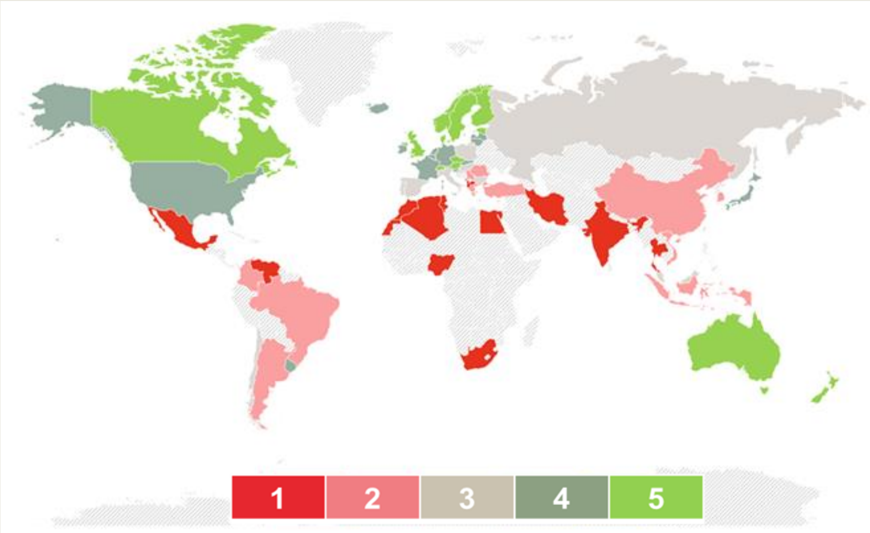


Source: ODDO BHF Asset Management SAS

Our ESG analysis for sovereign issuers

In an increasingly complex world whose equilibria are in constant flux and in order to have the most comprehensive view possible of country risk, it was important to supplement this approach with an ESG analysis based on a proprietary model that assesses sovereign issuers. Regarding the three underlying forces that have characterised the past decades – climate change, demographics, and rising protectionism – it is worth pointing out that history is full of government bankruptcies, due most often to the depletion of resources such as water, energy, and agricultural commodities, and to social inequalities.

Macro-ESG rating map of sovereign issuers



Source: ODDO BHF AM SAS

To access the paper outlining our analysis of sovereign issuers, please visit:

https://am.oddo-bhf.com/france/en/professional_investor/ad/expertises_de_gestion/1008/investissement_durable__esg/1016

4. Integrating ESG research findings into the investment process

Our in-house ESG research, ratings and analysis platform, which is available to all in-house investment teams, helps deploy our ESG integration policy across all asset classes, and guides the construction of our integrated investment portfolios.

Our ESG approach is based on three systematic pillars including: exclusion, integration of ESG ratings/scores, and active ownership.

ESG approach consistent of three pillars

EXCLUSIONS

- ODDO BHF AM wide **norm-based exclusions**:
  - Non-compliance with UN Global Compact
  - Controversial weapons
  - Biodiversity
- **ODDO BHF AM wide sector-based exclusions:**
  - Tobacco
  - Coal (mining and thermal) exclusions along a trajectory
  - Conventional oil and gas in the Arctic region
  - Unconventional oil and gas

INTEGRATION

- Internal model covering 900+ companies based on **inhouse research** and **MSCI**
- **Impact** on portfolio construction in equity and bond selection and weighting **across asset classes**
- Portfolio's ESG rating based on internal model (1-5)

ACTIVE OWNERSHIP

- **Regular dialogue** with companies within the investment universe on ESG topics
- Individual and collaborative **engagement** with companies for which we see improvement potentials for ESG topics
- **Divestment** if no positive development within 18 to 24 months for some ESG strategies

Source: ODDO BHF Asset Management SAS

4.1 Our exclusion policy

In accordance with international agreements and treaties, ODDO BHF Asset Management SAS unconditionally excludes any company implicated in the development, production or distribution of controversial weapons.

This exclusion covers the following:

- Chemical weapons, as defined in the Paris Chemical Weapons Convention of 1993;
- Anti-personnel mines, as defined by the Ottawa Treaty of 1999;
- Cluster bombs, as defined by the Oslo Convention on Cluster Munitions of 2008.

In 2021, ODDO BHF Asset Management SAS has updated its group exclusion policy to outline the exclusions that are mandatory at the ODDO BHF Asset Management level for all investment funds, and those that may apply only to some specific investment funds. It also precises the exclusions investment funds need to respect in order to comply with SRI labels.

You can find our full group exclusion policy on our website at:

https://am.oddo-bhf.com/france/en/professional_investor/ad/expertises_de_gestion/1008/investissement_durable__esg/1016

4.2 Our active ownership approach

Active ownership can be summerazid in three ways :

1. Dialogue
2. Engagement
3. (Proxy) Voting

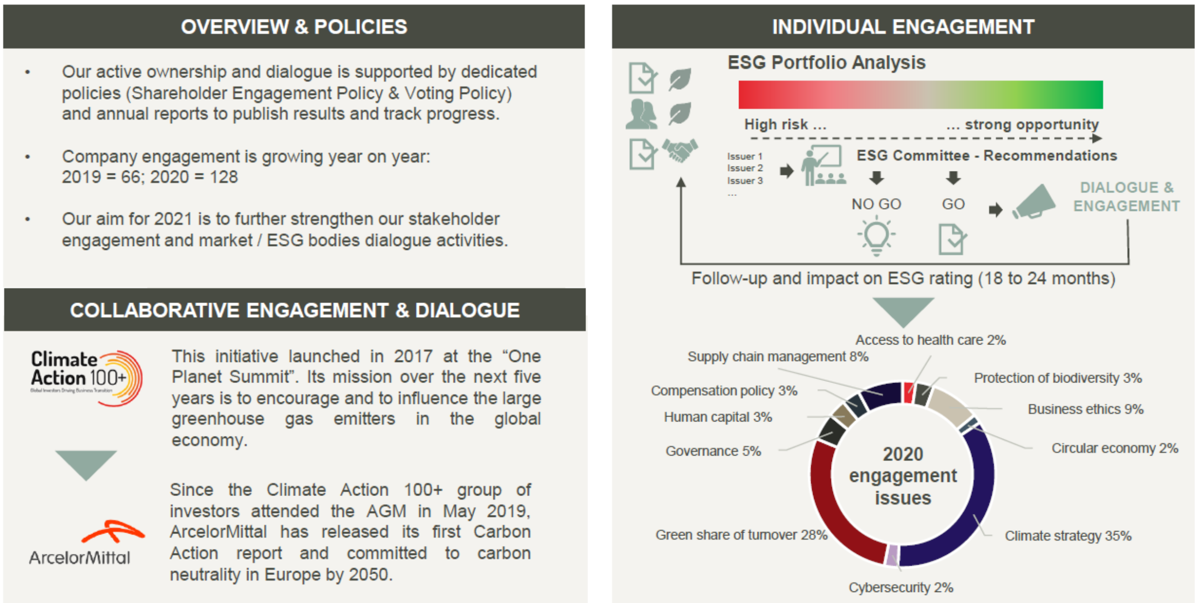
ODDO BHF Asset Management SAS is an active and long-term investor applying all of these three approaches.

Dialogue with companies

Our dialogue approach aims to improve business practices and foster more transparency on environmental, social and governance issues at investee company-level. Dialogue is not a matter of shareholder activism but can enable companies to understand and make progress on extra-financial issues that can create long-term value for all stakeholders. More details on our dialogue approach and results are available on our website:

https://am.oddo-bhf.com/france/en/professional_investor/ad/expertises_de_gestion/1008/investissement_durable__esg/1016

Our dialogue statistics in 2020



Source: ODDO BHF Asset Management SAS

Exercise of voting rights at annual general meetings

ODDO BHF Asset Management SAS believes that exercising voting rights is an integral part of its responsibility as a shareholder. We vote at shareholder meetings of companies in which we have at least 0.25% stake, and we strive to vote for all companies held in our portfolios integrating ESG criteria in their investment process. In accordance with its voting principles, ODDO BHF Asset Management SAS calls on an external service provider, ISS, to review resolutions and help it decide how to vote. ISS recommendations are submitted to management teams, which make the final voting decisions after first consulting with the ESG research team on social and environmental resolutions. As an example, in TotalEnergies's General Meeting held on 29 May 2020, we voted for the shareholder resolution aiming to introduce information related to an effective reduction on GHG emissions in the company's strategy, in order to align its activities with the goal of the Paris Climate Agreement. Voting in favor of the shareholder resolution and against the management, meant maintain pressure on the group to obtain more transparency and coherence on its environmental strategy.

More information are available in our voting policy and voting results documents:

https://am.oddo-bhf.com/france/en/professional_investor/ad/expertises_de_gestion/1008/investissement_durable__esg/1016

Individual or collaborative engagement

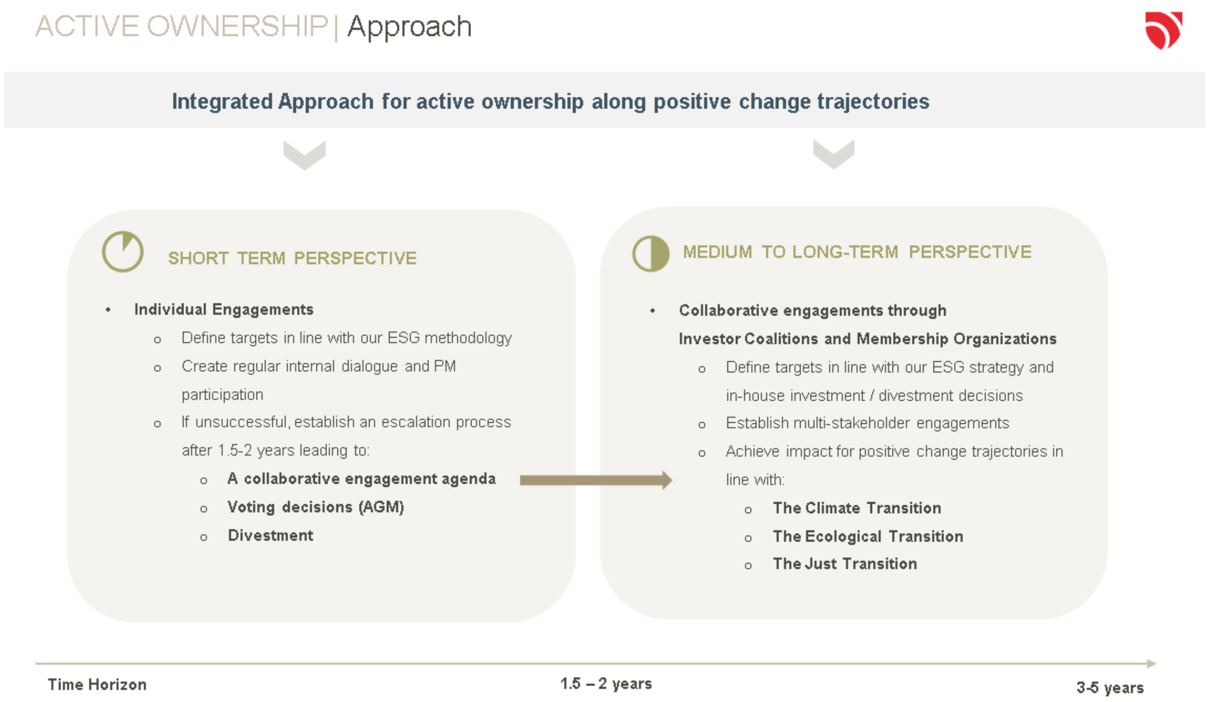
Our individual engagement process focuses on companies in which we have invested, and who we rate in through our properiatary methodology as high risk (level 1 on a scale of 5) or as neutral risk (level 3 on a scale of 5), and/or which are involved in a serious controversies.

Our engagement process involves identifying and systematically establishing explicit areas in which we expect progress to be made. This approach enables us to monitor and assess any progress achieved. Our approach is deemed successful if the engagement with an issuer leads to greater ESG transparency and/or to an improvement in ESG practices within 18 to 24 months.

If the engagement is unsuccessful our fund management teams, after consultating the ESG team, may establish an escalation process. The escalation process can lead to the initiation of:

- collaborative engagement, and/or
- to an opposing vote at the AGM of the company, and/or
- to the exclusion of the issuer from the investment universe or, and, if an active position is already held, to divestment.

Engagement approach



Source: ODDO BHF Asset Management SAS

When it comes to transformative and cross-disciplinary matters of sustainable development, ODDO BHF Asset Management SAS considers collaborative engagement to be an effective means of obtaining concrete and measurable results within a reasonable timeframe. Our aim as long-term investor is to influence the positive trajectories of companies linked to the climate transition, the ecological transition and the just transition. We are therefore involved in several coalitions and collaborative engagement.

ODDO BHF Asset Management SAS has been part of collaborative engagement with the Climate Action 100+ on ArcelorMittal and AP Moller Maersk. It has also been active for the CDP Non Disclosure Campaign to ask companies for more transparency on their climate risks.

More information on our engagement approach are available in our engagement policy and report documents:

https://am.oddo-bhf.com/france/en/professional_investor/ad/expertises_de_gestion/1008/investissement_durable__esg/1016

Our approach to integrating climate change risks

Climate risk reporting is becoming an essential part of an ESG investment strategy. Beyond the regulatory imperative, we are convinced that disclosure and reporting helps the investment teams to make more informed decisions. It will allow us to drive investment flows towards the sectors and companies that contribute positively to the transition to a low-carbon economy.

1. The three core elements our climate strategy

As a signatory of the CDP, related to carbon risk management since 2006 and to water and forestry issues management since 2017, ODDO BHF Asset Management SAS has placed climate issues at the heart of strategic investment management decision making over the past several years.

Our climate strategy includes three core elements:

- **Governance**: an active policy of dialogue and engagement, in particular on environmental issues. We discuss climate issues on a regular basis with companies having heavy environmental impacts (in terms of risks or opportunities). Topics discussed include products or services with environmental value-add, product life cycle analysis, carbon price and CapEx considerations, and the inclusion of 1.5/2°C scenarios into strategic decision making.

  We have an exclusion policy including coal and fossil fuels exclusions due to their predominance in contributing significantly to global CO2 emissions, to their negative environmental impacts, and to the lack of viable technological alternative for continuing to exploit them in the long term.

  We strengthened our thresholds of our existing coal exclusion in January 2021 to ensure a progressive exit out of coal by 2030 for OECD countries and by 2040 for non OECD countries. We also initiated for the first time a group exclusion policy on global unconventional oil and gas exploration/production, and on conventional and unconventional oil and gas exploration/production in the Arctic region. Our group exclusion policy is available with the following link:

  https://am.oddo-bhf.com/france/en/professional_investor/ad/expertises_de_gestion/1008/investissement_durable__esg/1016

- **Analysis:** An analysis of our ESG-integrated portfolios on environmental risks and opportunities with regard to long-term climate risk scenarios. Since 2017, we have developed our own "Energy Transition Analysis" (ETA) in order to measure each company's contribution to the low-carbon energy transition.
- Active ownership: To further our commitment on climate change issues, ODDO BHF Asset Management SAS has joined the Climate Action 100+ initiative in March 2018 with the clear goal of taking part in an important investor/issuer dialogue with the 100 largest corporate emitters of greenhouse gases. ODDO BHF Asset Management SAS also joined the CDC "Non-Disclosure Campaign" to push companies for more transparency on climate risks. Lastly, we are leading the World Benchmarking Alliance's (WBA) collaborative investor coalition on the "Just Transition" to

support collaborative engagement efforts for more transparency on social issues related to transition activities.

2. Climate-risk analysis is an integral part of our in-house ESG research and analysis model

ODDO BHF Asset Management SAS has developed a specific indicator to measure an investee company's energy transition contribution to a low-carbon economy.

This indicator, the Energy Transition Analysis (ETA), consists of two elements:

- The ranking of the sector in which the company operates, accounting for 30%;
- The company-specific environment score assigned by using our ESG model, accounting for 70% (see section 2.3).

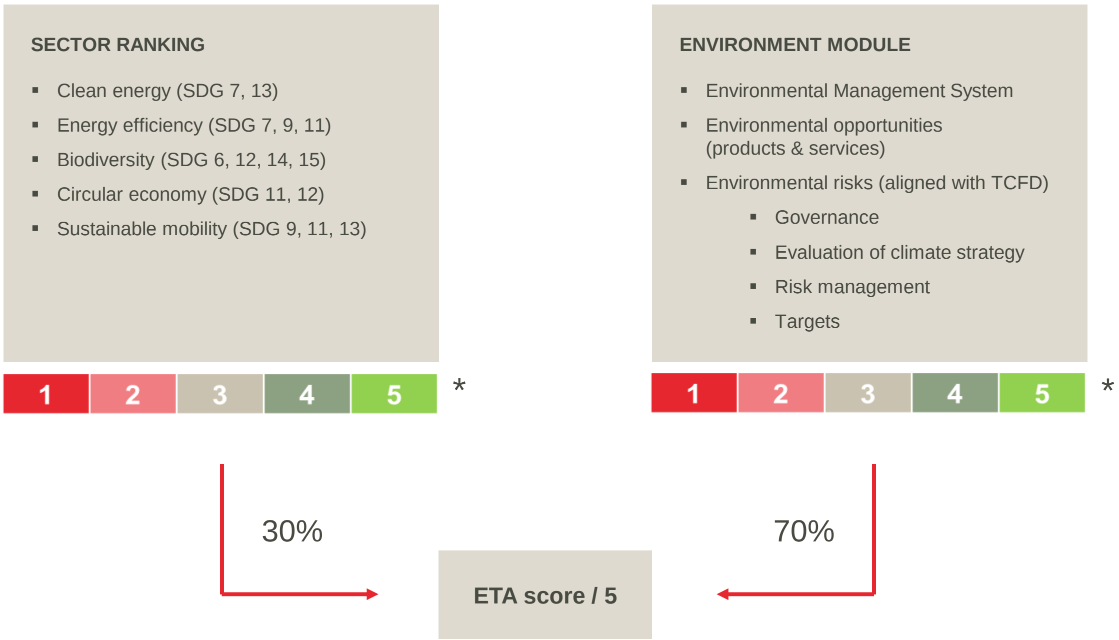
A sector's ranking is determined with respect to the environmental risks and opportunities featuring in our SDG matrix. We identify and ases five environmental themes within this matrix: clean energy (SDG 7, 13), energy efficiency (SDG 7, 9, 11), biodiversity (SDG 6, 12, 14, 15), circular economy (SDG 11, 12) and sustainable mobility (SDG 9, 11, 13).

The second element, i.e. the environment component of our ESG analysis model, is itself divided into three parts :

- The environmental management system (carbon intensity, water use intensity, energy mix, waste management, certifications);
- An analysis of the environmental opportunities related to the products and services offered;
- An analysis of climate risks related to the company's activities.

Our in-house model integrates the recommendations of TCFD. This approach allows us to conduct a holistic analysis of a company's climate-related exposures, regardless of its sector, while focusing on the financial impacts of climate risks and opportunities.

Structure of our ETA score



* *Internal rating scale from 1 (high risk) to 5 (strong opportunity)*

Source: ODDO BHF Asset Management SAS

For the TCFD analysis, we use CDP's recommendations, which are systematically reviewing four dimensions that help better grasping the complexities related to climate risks:

1. risk governance,
2. evaluation of climate strategy,
3. operational management of climate risks, and
4. quantifiable objectives.

On this basis, we review for each company issues such as leadership on climate issues (by the CEO, the board, the management committee), the degree of awareness amongst leadership teams and boards of transition risks and physical risks, the use of the 2°C scenario in strategic planning, and whether or not the company has set absolute targets for greenhouse gas reductions.

Extract of an Environment module from our internal analysis model

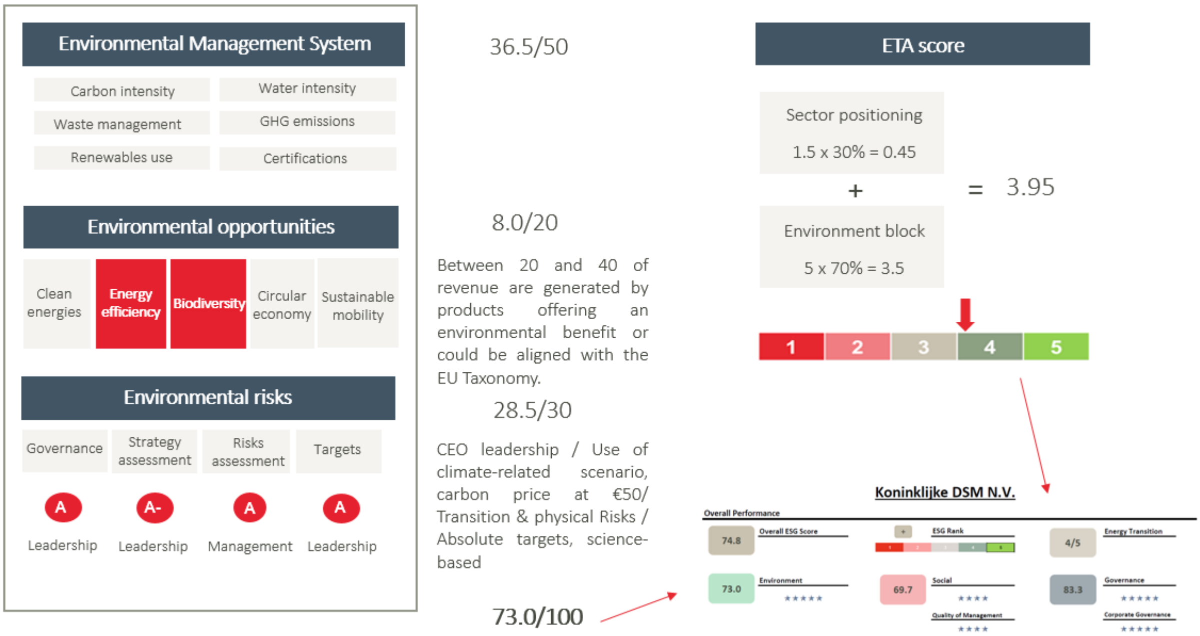
ENVIRONMENTAL OPPORTUNITIES		**12.0**	**20.0**		
1. Initiatives & low carbon products		**12.0**	**20.0**		
Clean Energy	**40% to 60%**			**100**	**The company reports that nearly 80.1% of its product-related revenues (representing about 45% of total revenues) were derived from "Green Premium" products in 2017.**
Energy Efficiency					
Biodiversity					
Circular Economy					
Sustainable Mobility					
ENVIRONMENTAL RISKS		**33.0**	**40.0**		
Rebased		**24.8**	**30.0**		
CDP Answer	**Yes**				**The company's response to the latest CDP questionnaire is publicly available**
1- Governance	**A**	**10.0**	**10.0**		
Position on the board with responsibility for climate-related issues		10.0	10.0	**A**	**Board/Executive board**
2- Strategy Assessment	**B**	**7.0**	**10.0**		
Are climate-related issues integrated into your business strategy?		7.0	10.0	**B**	**Yes**
Use of climate-related scenario analysis					**Yes, qualitative and quantitative**
Use of an internal carbon price					**30**
Do you engage with your value chain on climate-related issues?					**Yes, our customers; Yes, our suppliers**
3- Risk Management	**A**	**10.0**	**10.0**		
Where in the value chain does the risk driver occur?		10.0	10.0	**A**	**Supply chain**
Risk type with the potential to have financial or strategic impact					**Transition risk**
Primary climate-related risk driver					**Policy and legal: Increased pricing of GHG emissions**
					Acute: Increased severity of extreme weather events such as cyclones and floods Chronic: Changes in precipitation patterns and extreme variability in weather patterns
4- Targets	**B-**	**6.0**	**10.0**		
Active emissions targets		6.0	10.0	**B-**	**Both absolute and intensity targets**
Is this a science-based target?					**Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative**
Verification / Assurance status					**Third-party verification or assurance process in place**

Source: ODDO BHF Asset Management SAS

This approach gives us a granular analysis of the climate risks and opportunities faced by an investee company, beyond the mere sector or sub-sector characteristics.

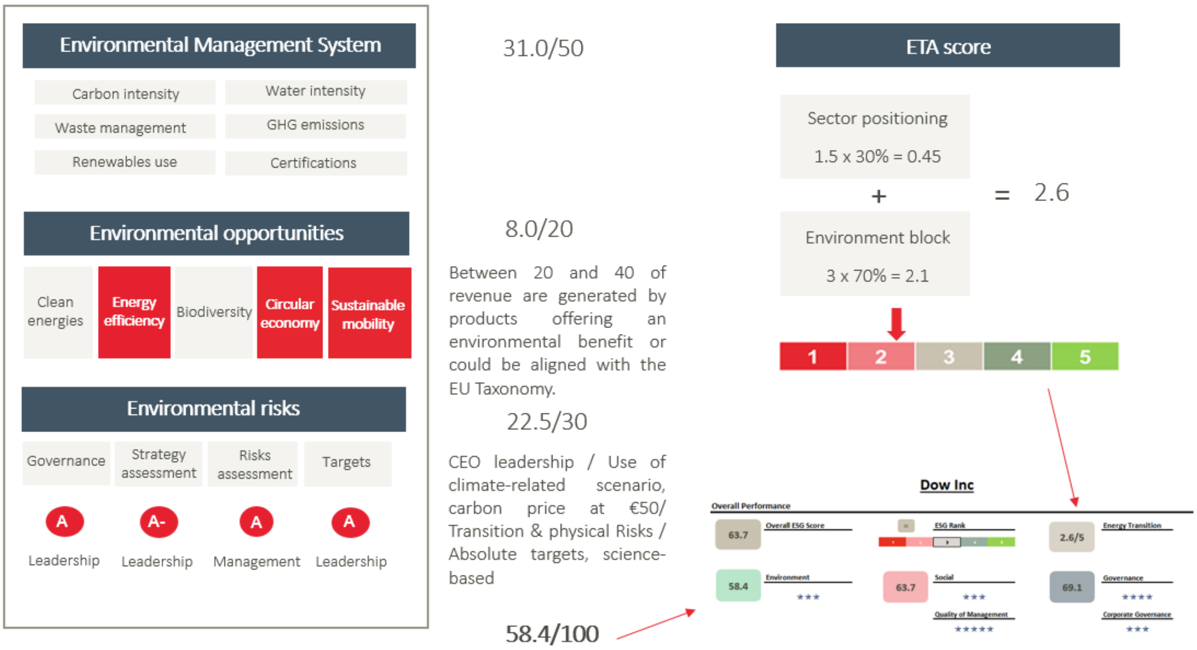
Here are examples from the specialised chemicals sector, DSM and DOW Inc. Our research model reaches a significantly different energy transition score for each of these companies, even though the two companies are both evolving on climate risk related and sustainability topics in the chemicals industry.

Determining the ETA score of DSM



Source: ODDO BHF Asset Management SAS

Determining of the ETA score of DOW INC

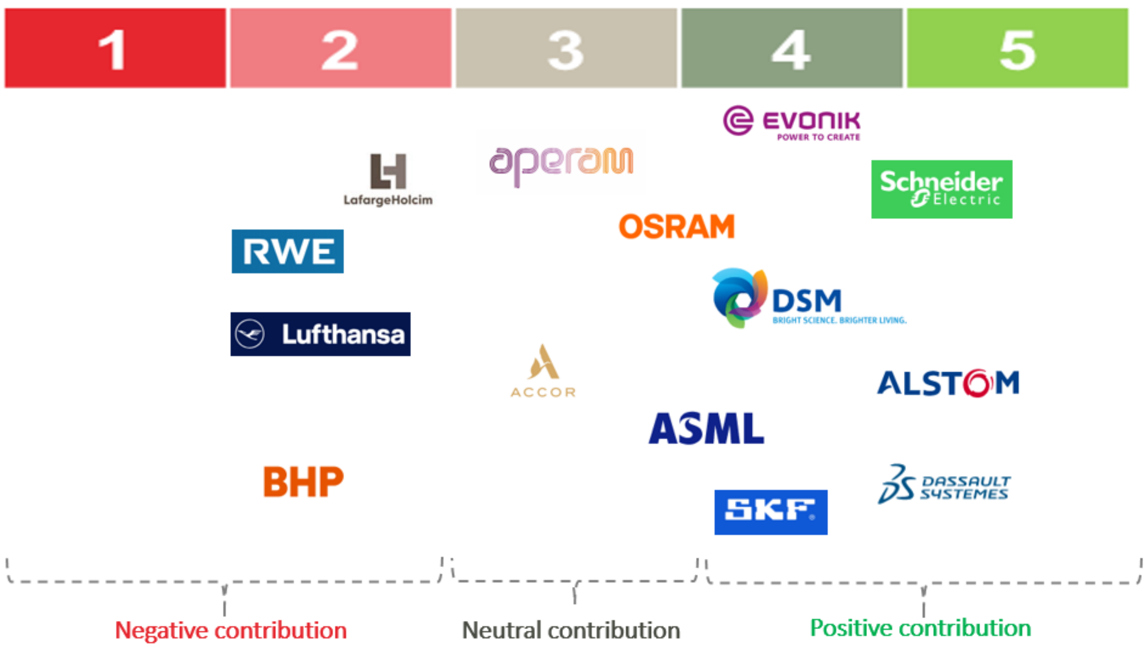


Source: ODDO BHF Asset Management SAS

In DSM's case, leadership on climate issues is provided by the CEO himself. DSM uses scenarios integrating transition risks and physical risks, an internal carbon price of €50, and absolute targets for reducing greenhouse gas emissions. Our ETA score is 3.9/5 for DSM, vs. just 2.6/5 for DOW Inc.

Beyond identifying the environmental impact, the objective of our analysis is also to highlight potential factors in company value creation or destruction in the medium and to long term, including preparedness for the energy transition, a business model at risk, etc.

Examples of energy transition positioning based on our ETA score

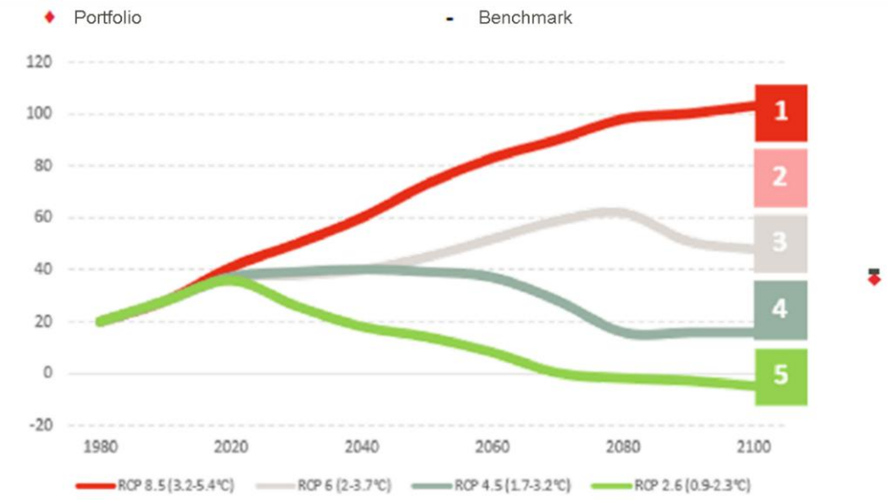


Source: ODDO BHF Asset Management SAS

Lastly, in aggregating ETA scores of companies in a portfolio (weighted by the size of each holding), we obtain an indicator for measuring the overall portfolio's contribution to the energy transition towards a low-carbon economy. This methodology gives us a qualitative approach for aligning with relevant RCP scenarios[1].

[1] Representative Concentration Pathways (RCP) scenarios from the 5th report of the Intergovernmental Panel on Climate Change (IPCC).

Aligning a portfolio on long-term climate trajectories



Source : ODDO BHF Asset Management SAS

3. Findings and impacts

Measuring the environmental impact of investment portfolios has been an evolving field for several years now. Transition risks have become better understood, hence more research and analysis will focus in the coming years on measuring physical risks and on establishing mathematical models for aligning portfolios with a 2°C trajectories. In 2019, ODDO BHF Asset Management SAS took a further step in measuring transition risks, and, thanks to developments in some open-source methodologies, we began to test the analysis of scenarios on our aggregate exposures to the equity and credit markets.

3.1 Transition risks

Transition risks are potential financial impacts, whether positive or negative, resulting from the impact of transforming business models towards a low-carbon society. They are subject to uncertainties related to the nature of the multiple trajectories of greenhouse gas reductions, regulatory trends, and to the contribution of technological innovation.

In 2019, ODDO BHF Asset Management SAS started supplementing its key indicators with measuring transition risks assessments when it published exposures to fossil fuels (the so-called “brown part”) and exposure to carbon solutions (the green part), in addition to carbon intensity indicators.

Carbon intensity of portfolios

ODDO BHF Asset Management SAS has chosen to measure the carbon intensity of its main funds (open-end funds and mandates) beyond the legal threshold of AuM of €500m. This is the list of funds with more than €500m AuM we have taken into account for this report :

Equities:

ODDO BHF Avenir

ODDO BHF Avenir Euro

ODDO BHF Avenir Europe

ODDO BHF Génération

ODDO BHF Active Small Cap

Fixed income:

ODDO BHF Sustainable Euro Corporate Bond

ODDO BHF Euro High Yield Bond

ODDO BHF Euro Credit Short Duration

LUX IM - ODDO Target 2024

Overall, 19 portfolios at ODDO BHF Asset Management SAS are currently subject to a measure of carbon intensity through our monthly sustainability report. It accounts for almost €9.4bn (or about 52% of total AuM at ODDO BHF Asset Management SAS.

From a methodological viewpoint, we use the carbon data provided by MSCI. We have chosen the same service provider for our ESG research for the quality and scope of its coverage and universe, in particular for mid-caps.

Definition of carbon intensity

The measuring method used is carbon intensity (in tons of CO_2 equivalent per million euros of revenues), on which basis companies can be compared regardless of their size.

- Carbon intensity of the security = (the company's **Scope 1** + **Scope 2** emissions (i) / the company's revenues (i)
- Weighted total carbon intensity = Σ (carbon intensity of the security * portfolio weighting of the security)

Perimeter

Scope 1: direct greenhouse gas emissions (fuel, refrigerants, fuel-run vehicles owned)

Scope 2: indirect emissions (electricity, steam purchases)

- Carbon emissions extend to Scope 1+ Scope 2.
- Prevented emissions are not included.
- Emissions produced indirectly by emitters other than those resulting from consumption of electricity, heat or steam that are necessary for their activities (Scope 3) have not been included in calculating greenhouse gas emissions, due to the lack of availability or comparability of information.

Carbon intensity of main open-ended funds as of 31 December 2020

	Fund		Benchmark	
Fund Name	Coverage rate	Weighted carbon intensity	Coverage rate	Weighted carbon intensity
ODDO BHF Avenir	78.4%	29.5	89.9%	124.1
ODDO BHF Avenir Euro	88.6%	27.6	99.3%	312.1
ODDO BHF Avenir Europe	85.2%	28.8	99.4%	196.8
ODDO BHF Génération	99.5%	40.4	100.0%	216.8
ODDO BHF Active Small Cap	83.6%	166.2	99.0%	132.9
ODDO BHF Sustainable Euro Corporate Bond	83.0%	137	75.8%	126.7
ODDO BHF Euro High Yield Bond	49.0%	210.3	64.9%	266.5
ODDO BHF Euro Credit Short Duration*	65.3%	183.8	-	-
LUX IM - ODDO Target 2024 DIY	63.0%	416.34		

*ODDO BHF Euro Credit Short Duration does not have a benchmark

Sources: MSCI, ODDO BHF Asset Management SAS

The brown part

The brown part is the portion of portfolio companies’ revenues exposed to fossil fuel extractive industries including thermal coal, oil, natural gas, oil sands, shale gas, and deep offshore exploration. This part is a key indicator to assess the share of significantly environmentally harmful activities across our portfolios. It also provides an overwiew of our share into activities contributing to climate change with huge regulatory and transition risks.

Exposure fossil fuels of the main open-ended funds as of 31 December 2020

	Fossil Fuel exposure	
Fund Name	Fund	Benchmark
ODDO BHF Avenir	0,0%	0,8%
ODDO BHF Avenir Euro	0,0%	3,6%
ODDO BHF Avenir Europe	0,0%	2,2%
ODDO BHF Génération	0,0%	8,2%
ODDO BHF Active Small Cap	0,0%	0,9%
ODDO BHF Sustainable Euro Corporate Bond	7,0%	10,5%
ODDO BHF Euro High Yield Bond	7,8%	8,8%
ODDO BHF Euro Credit Short Duration *	4,5%	

*ODDO BHF Euro Credit Short Duration does not have a benchmark

Sources: ODDO BHF Asset Management SAS, MSCI ESG Research

The green part

The green part is the portion of portfolio companies’ revenues exposed to carbon solutions including renewable energies, green mobility, green buildings and energy efficiency.

To note: once the EU Taxonomy has been implemented in 2022, we will get more granularity to assess the green impact of investee companies.

Exposure to carbon solutions of the main open-ended funds as of 31 December 2020

	Fossil Fuel exposure	
Fund Name	Fund	Benchmark
ODDO BHF Avenir	32,7%	45,7%
ODDO BHF Avenir Euro	36,3%	44,0%
ODDO BHF Avenir Europe	30,9%	38,2%
ODDO BHF Génération	45,1%	40,8%
ODDO BHF Active Small Cap	31,4%	35,2%
ODDO BHF Sustainable Euro Corporate Bond	24,4%	23,5%
ODDO BHF Euro High Yield Bond	24,9%	30,3%
ODDO BHF Euro Credit Short Duration*	22,4%	

*ODDO BHF Euro Credit Short Duration does not have a benchmark

Sources: ODDO BHF Asset Management SAS, MSCI ESG Research

3.2 Physical risks

Physical risks are directly linked to the consequences of climate change. In its 2017 recommendations, the TCFD makes a distinction between two types of physical risks:

- acute risks, which arise from the increased intensity and frequency of extreme weather events, such as tornados, hurricanes, and floods;
- chronic risks, which result from trend changes in climate, such as the increase in average temperatures and rising sea levels.

Physical risks can directly impact companies through the geographical locations of their operations, as well as indirectly through their supply chains They can increase operating costs, impact employee productivity, or trigger temporary business disruptions.

ODDO BHF Asset Management SAS has not yet fully developed a methodology for analysing physical risks, either in-house or via external collaboration. Our external data providers are starting to provide some initial data, but the measurement of the risks remains closely dependent on information provided by the companies, including information on physical locations of production capacities, supplier-related risk and distribution chains. We expect that the update of the EU's Corporate Sustainability Reporting Directive (CSRD) will lead to better transparency on physical risks by companies in the EU.

4. Aligning with the 2°C trajectory

The energy and adjustments to climate change are major challenges for investors aiming to manage risks. But these inevitable changes may also create opportunities.

Better understanding and integrating energy and climate related challenges, identifying and measuring factors that could materially impact companies' operations, ranging from transition risks to physical risks, have become key steps for long-term investors.

In meeting this complex challenge, ODDO BHF Asset Management SAS supports the collaborative assistance provided to investors in conducting their own initial analyses based on open sources, and in particular efforts by PRI involving practitioners, think tanks and academics.

4.1 Paris Agreement Capital Transition Assessment (PACTA) model

The PACTA model, which was developed by the think tank 2° Investing Initiative (2DII) with the support of PRI and the European Commission, was the first open-source tool allowing investors to conduct an analysis of scenarios and, hence, to position their portfolios on a 2°C trajectory.

Since the tool was launched on www.TransitionMonitor.org, more than 3,000 individuals from more than 1,800 institutions have used it to conduct over 12,000 climate scenario tests, with an average of 600+ tests per month. Overall, the total assets under management of financial institutions using the tools amounts to more than $106 trillion, according to 2DII.

The PACTA model provides analysis to answer three questions:

- What is a portfolio's current exposure to economic sectors that are potentially the most heavily affected by the transition to a low-carbon economy: fossil fuel extraction, energy production, automobile, air and sea transport, cement and steel production?
- Will the portfolio under review raise or lower its alignment with a 2°C scenario over the next five years (i.e., has the time horizon for modelling scenarios been sufficiently documented)?
- What is the portfolio's future expected exposure to high- or low-carbon intensity activities compared to the broader market?

The benchmark scenario is the International Energy Agency's (IEA) Sustainable Development Scenario (SDS), which features a warming trajectory of 1.75 to 2°C by 2100 and models the changes needed in 11 key technologies to achieve an average annual decline of 4.4% in greenhouse gas emissions between 2025 and 2050.

The model applies to equities and bonds. We have selected the following funds for this climate analysis:

Equities:

ODDO BHF Avenir

ODDO BHF Avenir Euro

ODDO BHF Avenir Europe

ODDO BHF Génération

ODDO BHF Active Small Cap

Fixed income:

ODDO BHF Sustainable Euro Corporate Bond

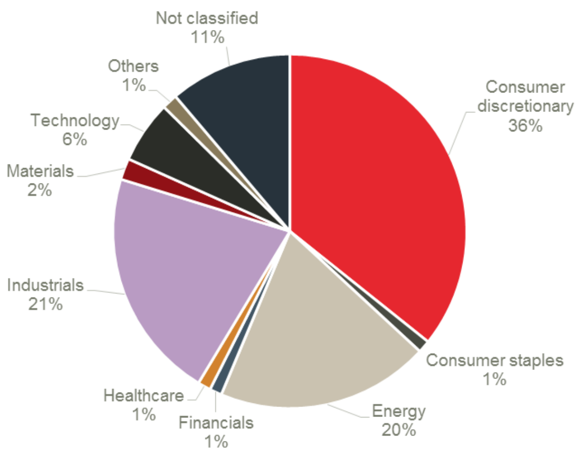
ODDO BHF Euro High Yield Bond

ODDO BHF Euro Credit Short Duration

LUX IM - ODDO Target 2024

We created two aggregate portfolios from these funds: an aggregated equity portfolio, and an aggregated fixed-income portfolio. Below, we have summarized the latest climate profile for our equity and fixed income portfolios using different charts. The holdings are being assessed at 28th of June 2021, to provided the latest overview of our aggregate portofolios' climate profile.

Emissions exposure from climate relevant sectors for our aggregated equity portfolio



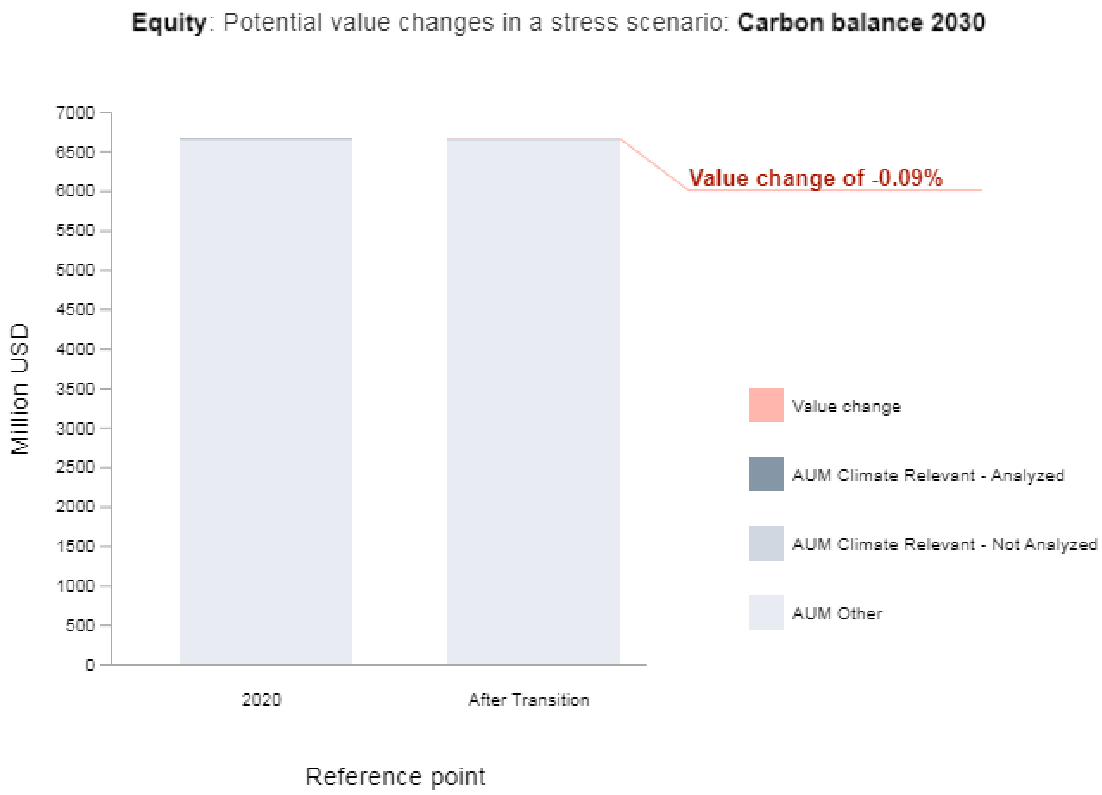
Source: 2°ii, PACTA

Many fossil fuel producers have assets whose value may become written-down or -off because of the energy transition and new climate regulation.

The strengthening of our coal policy in January 2021 has contributed to our very low exposure to fossil fuels across the equity portfolios selected for this report. Furthermore, our ODDO BHF Avenir range has excluded the oil and gas sector while our ODDO BHF Génération and ODDO BHF Small Caps investment strategies have no exposure at all at present. This allows us to limit our risks related to stranded assets.

Given the non-existing fossil fuel exposures in our aggregated equity portfolio, the large share of CO2 emissions comes from the energy sector and the consumer discretionary sector. The carbon footprint of our aggregated equity portfolio is still not enough to determine the climate-related risks and impacts in the future. Consequently, a potential financial losses simulation in a stress-test scenario is needed to provide more clarity. The analysis of our aggregated equity portfolio shows that a low value may change as highlighted on the graph below.

Potential financial losses according to the PACTA methodology

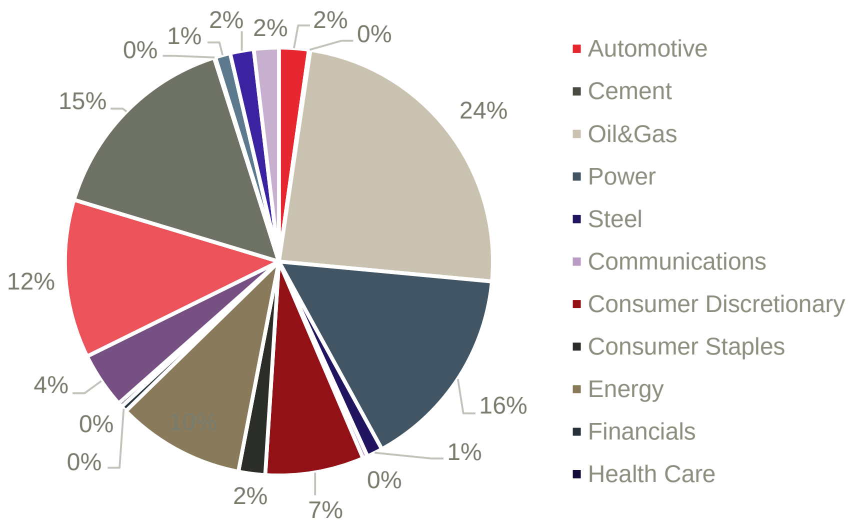


Source: 2°ii, PACTA

Our aggregated fixed-income portfolio has more climate-related risks as our fossil-fuels exposure is higher than our aggregated equity portfolio. The graph below shows that oil and gas, power and materials companies account for respectively 24%, 15% and 14% of total emissions in the portfolio.

While only 1.4% of the aggregated equity portfolio is deemed climate-relevant by PACTA, the share is at 12% for our aggregated fixed-income portfolio. This means that the climate related risks are more important to our fixed-income investments compared to our equity investments. This is the results of a different sector allocation across equity and fixed income investments taken into account in this report.

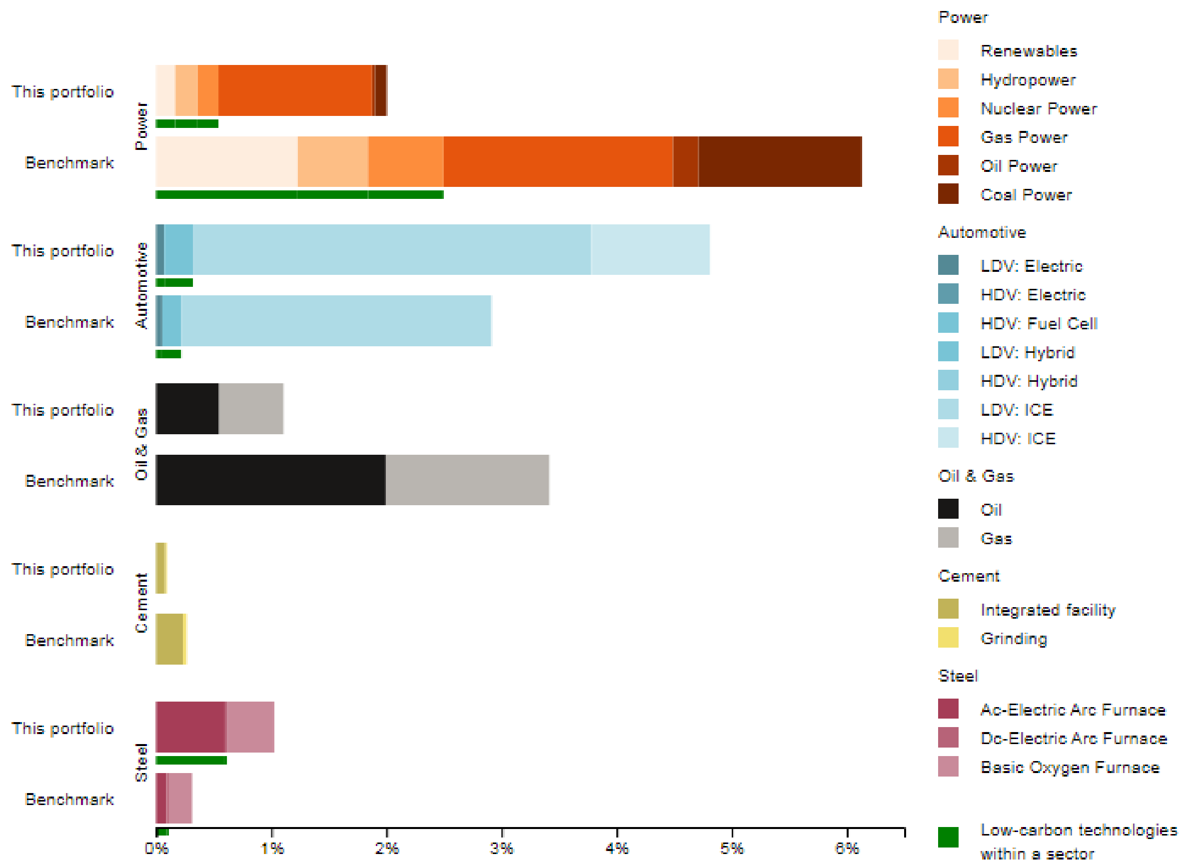
Emissions exposure from climate relevant sectors for our aggregated fixed-income portfolio



Source: 2°ii, PACTA

Nevertheless, a more precise analysis against the benchmark is needed to understand the level of climate risks in our aggregated fixed income portfolio. Our exposure to fossil fuels remain lower than PACTA's benchmark (iShares Global Corporate Bond UCITS ETF). Our investments in the automotive sector are more positioned towards sustainable transport than the benchmark and our cement exposure distinguishes itself with more low-carbon technologies. There is still room for improvement for renewables investments, but the selected portfolio for this simulation integrates many high yield bonds, a segment where renewables companies are still limited.

Technology mix as percentage of assets under management



Source: 2°ii, PACTA

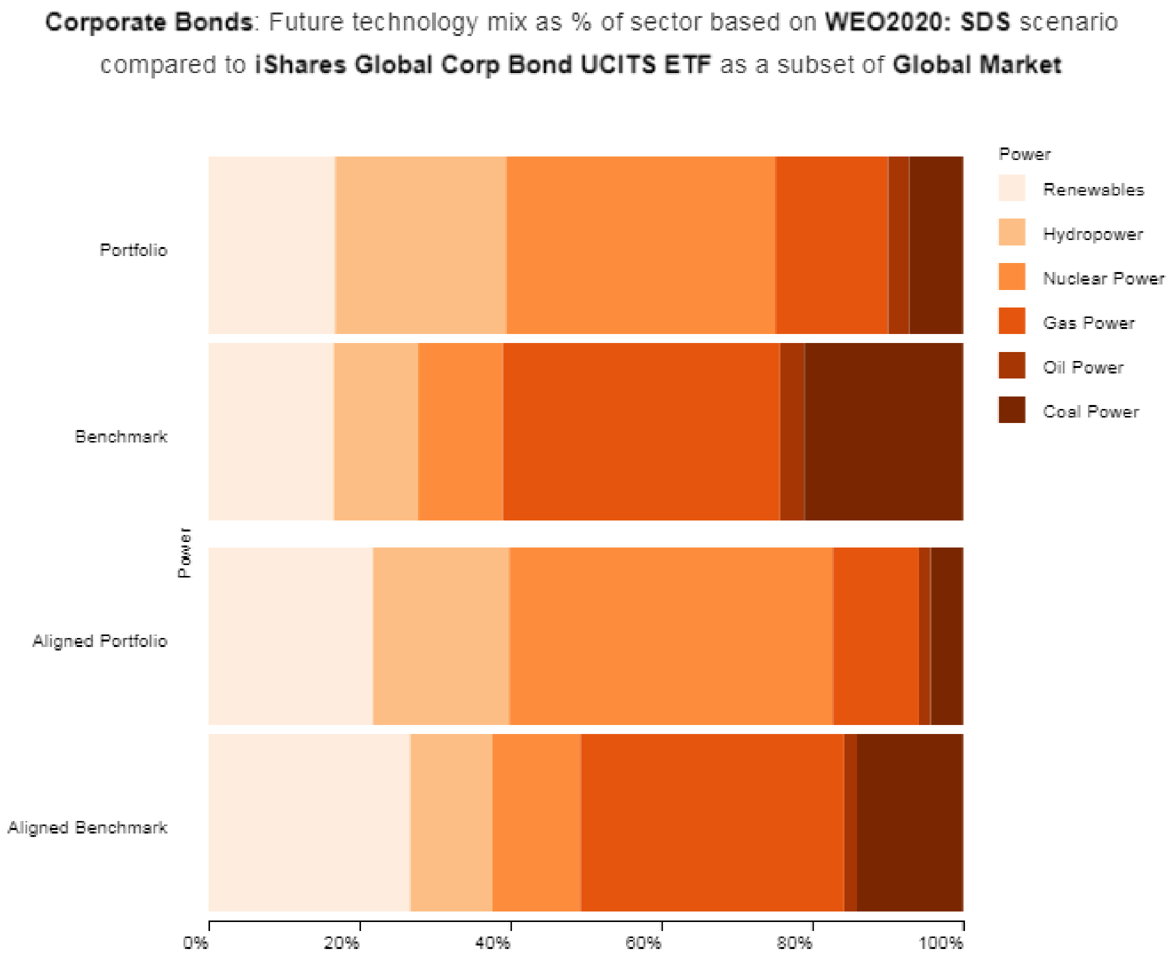
A prospective analysis is also needed to identify the transition of our aggregated fixed income portfolio. The following graph gives an overview of the future technologies represented within the portfolio and for PACTA's benchmark in five years[2]. It also shows how this split looks like if the companies in the aggregated fixed-income portfolio were to align with the 2020 IEA's Sustainable Development Scenario (SDS). The chart highlights the fact that our aggregated fixed-income portfolio has a better technological transition than the benchmark, with more low-carbon electricity producing solutions (renewables and nuclear).

In terms of alignment with the Paris agreement (2015), it still means that our aggregated fixed income portfolio should progressively lower the fossil fuels exposure and strengthen the investments into

[2] The chart assumes no changes in portfolio allocation over time

companies with low carbon technologies. Overall, the portfolio is already on track to transition towards less GHG-intensive electricity production solutions.

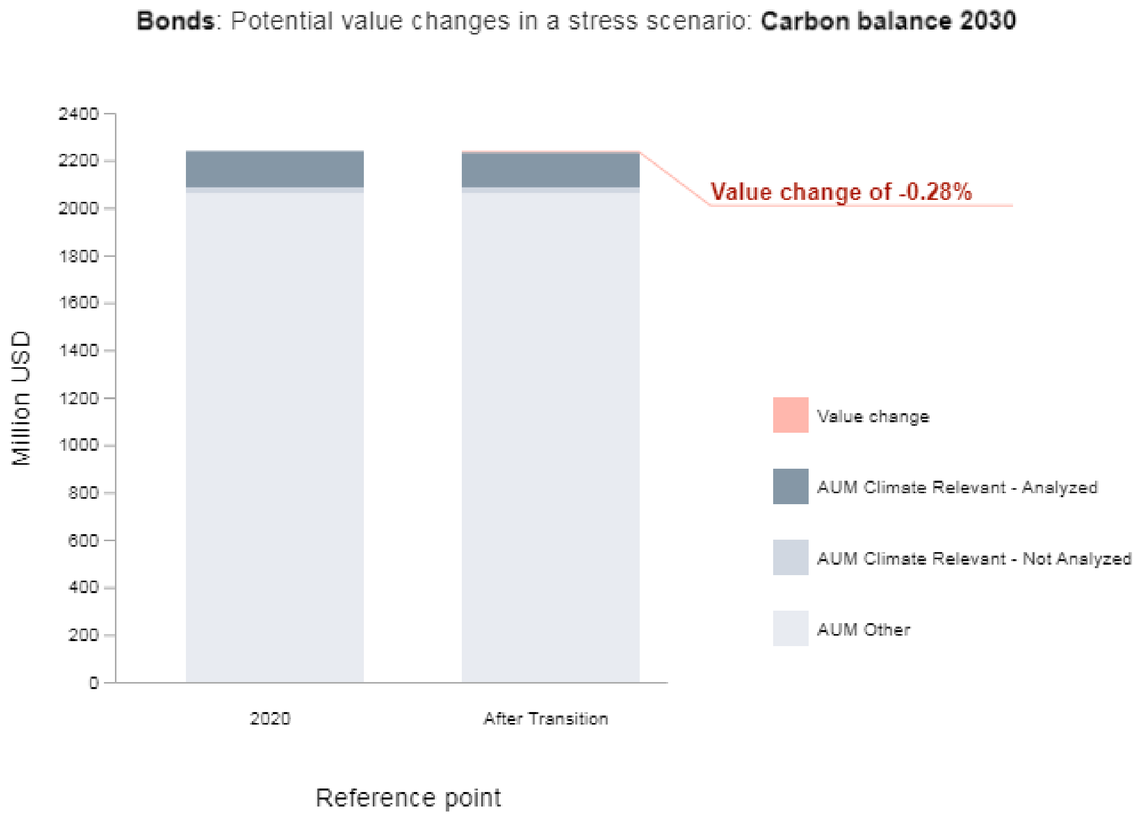
Future technology mix as a percentage of assets under management



Source: 2°ii, PACTA

In terms of potential value changes in a stress test scenario, the following graph clearly shows that the impact remains low (-0,28%) on the total aggregated fixed-income portfolio but still more pronounced than the computed change for our aggregated equity portfolio (-0,09%)[3]. This is not suprising as we have already mentioned the higher exposure of our aggregated fixed income portfolio on climate relevant sectors compared to our aggregated equity portfolio.

Potential value changes in a stress test scenario



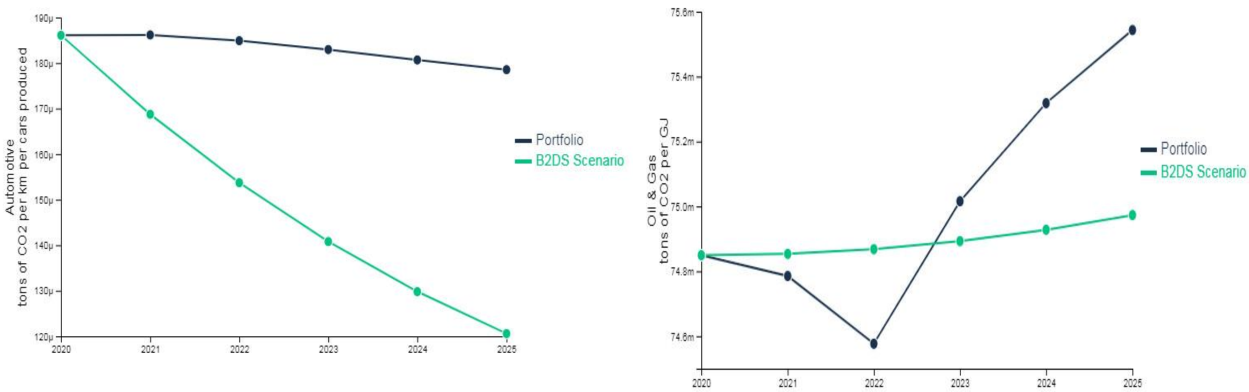
Source: 2°ii, PACTA

In terms of emissions, we can see that it is still difficult to decarbonize the most climate-relevant sectors given their business development projections. The different graphs give an overview on how these sectors' emissions intensity is going to develop over the next five years based on the portfolio companies' plans. If automotive companies within the aggregated fixed-income aggregate are able to

[3] "The baseline scenario assumes that overall production in climate relevant sectors and technologies will follow the trajectories described in the NPS/STEPS (Stated Policies Scenario) scenario. This baseline scenario would likely lead to a global temperature rise between 2.7 and 3.5°C by the end of the century and is therefore not aligned with the Paris Climate Agreement (UNPRI 2019). The stress-test model assumes that, without a policy shock, both the world economy and your portfolio remain on this baseline scenario for the next 20 years, until 2040" PACTA (2021)

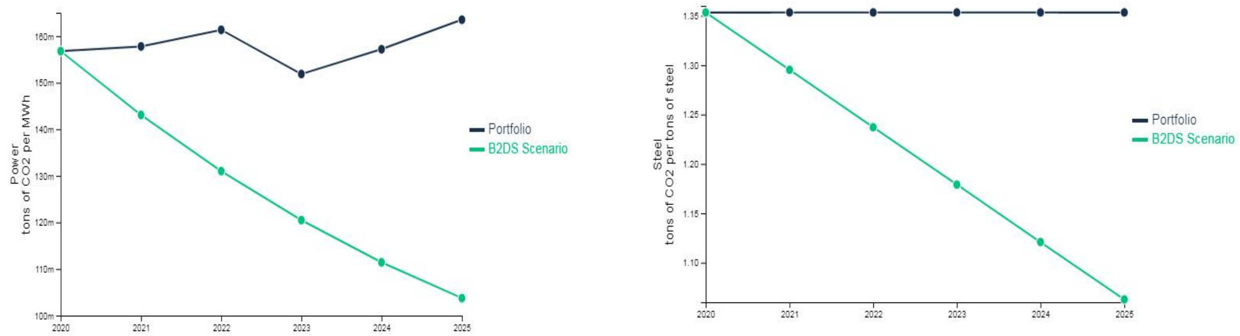
reduce their intensity ratio between 2020 and 2025, it is not necessarily the case for all oil and gas, cement and energy companies. It means that investee companies need to strengthen the efforts to ensure their growth and their reduction of CO_2 emission levels.

5-year emission intensity trend for automotive and oil and gas



Source: 2°ii, PACTA

5-year emission intensity trend for power and steel



Source: 2°ii, PACTA

4.2 The Inevitable Policy Response (IPR) model

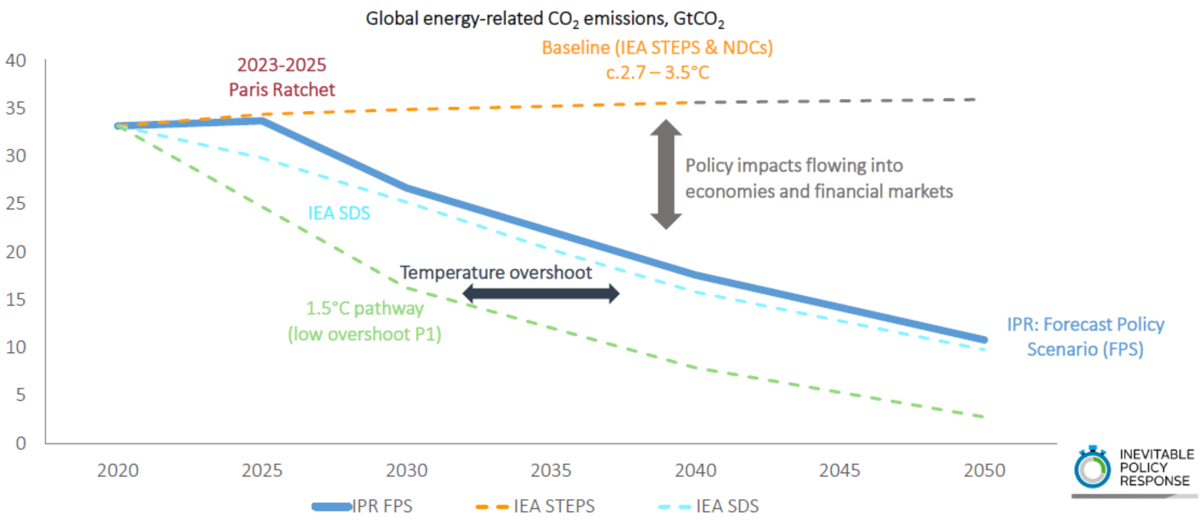
The IPR model is based on a research programme conducted by a consortium of several international institutions including PRI, 2°ii, Carbon Tracker Initiative, and the Grantham Research Institute on Climate Change and the Environment, based on the widespread belief that all voluntary contributions of the 195+ signatory countries that have signed the 2015 Paris Agreement put us on a warming trajectory of between 2.7 and 3.5°C by 2100. The model's basic assumption is that the review of each country's commitments, in 2020 and again 2025, as provided in the Agreement, will necessarily lead to tougher regulations if the maximum 2°C objective is to be achieved by 2100.

The model is based on assumptions out to 2050, the targeted year for carbon neutrality, covering eight different areas that have a significant impact on climate change:

- The scheduled exit from coal by 2030 for OECD countries;
- The ban on selling fossil fuel-powered cars beginning in 2035 in the most advanced economies;
- A carbon price of between US$40 and US$80 per tonne by 2030, then converging towards US$100 by 2050;
- The development of CO2-capture and sequestering in industry;
- An acceleration in installed capacities of renewable energies and keeping nuclear power in the global power generation mix;
- Strong incentives to enhance energy efficiency in buildings;
- Strict policies on soil use and reforestation;
- Incentives in developing sustainable agriculture.

This results in a Forecast Policy Scenario (FPS) scenario aiming to approach a 2°C trajectory by implementing more aggressive and/or restrictive policies in the eight aforementioned areas.

The IPR scenario projection



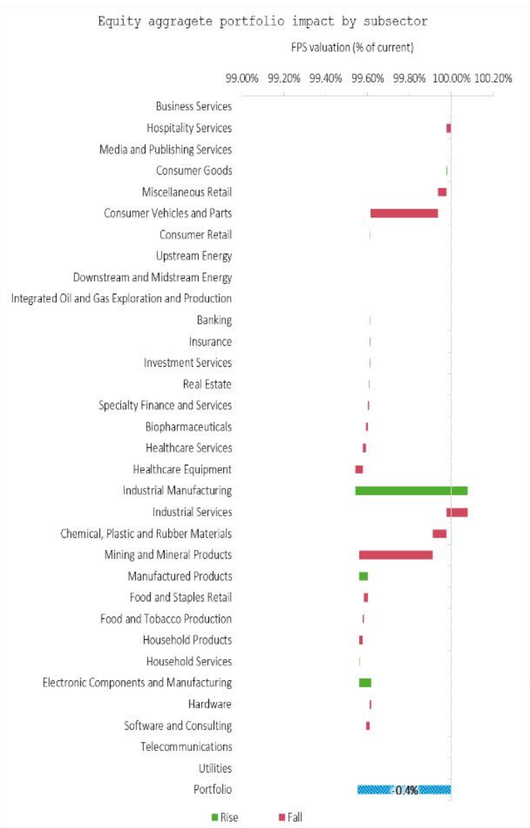
Source: The Inevitable Policy Response

The IPR methodology models the financial impact on cashflow capacity of all economic sectors (=Level 2 RBICS classification with 32 sectors), surrounding three potential effects: destruction in demand, creation of new demand and carbon costs.

ODDO BHF Asset Management SAS conducted a test on its aggregated equity and fixed income portfolios. It found a negative impact of -0.4% for the aggregated equity portfolio and -2.3% for the aggregated fixed income portfolio. The impact analysis is based on FPS scenario assumptions, all other factors being equal. By comparison, the STOXX 600 has a negative impact of -2,5%.

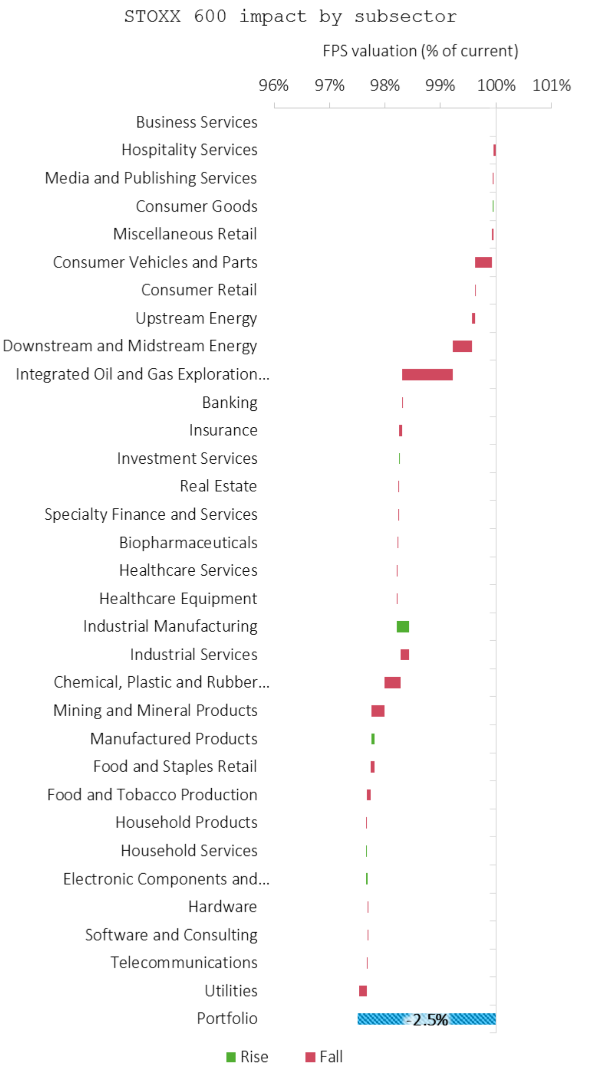
For the aggregated equity portfolio, the main negative impacts arise from the automotive sector (-0.3%) and the mining and mineral products (-0.4%). For the aggregated fixed income portfolio, the main negative impacts arise from the automotive sector (-0.6%), the upstream energy (-0,6%) and the chemicals, plastic and rubber material sectors(-0,3%).

Sector-based impacts of the FPS scenario for our agrgegated equity and fixed-income portfolios



Source: The Inevitable Policy Response

Sector-based impacts of the FPS scenario versus the STOXX 600



Source: The Inevitable Policy Response

These initial analyses of scenarios at an aggregated level for our equity and fixed income portfolios are a first step to measure the alignment of our portfolios on a 2°C trajectory. Developments related to new tools and collaborative efforts, supported in particular by the PRI, should allow us to conduct more critical analyses for our portfolios in the near future.

Our approach on biodiversity

1. Biodiversity loss is a systemic risk

Biological diversity is key to ensure the preservation of ecosystem services that are essential for our human well-being, development and economic growth.

The reduction of the quantity, quality and resilience of ecosystem services is a systemic risk to investors across many sectors. It can also threaten the realization of sustainable development goals defined by the United Nations as low and low-middle income countries have a strong reliance on natural capital.

According to the World Bank[4], the global economy could lose as much US$2,7 trillion a year by 2030 if countries continue to destroy biodiversity. The institution also warned that economies still underestimate the value of nature services in their economic projections. The report shed lights on the potential real GDP contraction following a collapse of ecosystem services: 9.7% annually for Sub-Saharan Africa and 6.5% for South Asia. On the contrary, cooperation between countries and reduction of natural land conversion could result in a general increase in global real GDP in 2030 that is estimated between $50 billion to $150 billion.

It is therefore important to develop methodologies and key performance indicators to assess companies' footprint related to nature, but also to identify those that can bring solutions to the global biodiversity crisis, supporting an ecological transition.

2. Our commitments

ODDO BHF Asset Management SAS decided to be more active in the field of biodiversity following the rise of European and global initiatives involving a broad range of financial actors. In 2021, we became a signatory to the *Finance for Biodiversity Pledge* and a member of the *Foundation Finance for Biodiversity.*

[4] World Bank Group (2021) „The Economic Case for Nature : A Global Earth-Economy Model to Assess Development Policy Pathways"

The Finance for Biodiversity Pledge was launched on 25 September 2020 by a group of 26 financial institutions. The objective is to protect and restore biodiversity through finance and investment activities. It implies different actions by 2024 at the latest:

- collaboration and knowledge sharing on the complex issues around biodiversity ;
- engagement with companies to reduce negative footprint on nature ;
- assessing the impacts of financing and investment activities ;
- setting targets to increase significant positive and reduce significant negative impacts on biodiversity ;
- reporting publicly on the committed financial institutions' contribution to global biodiversity goals.

Today, 55 financial institutions across the world, representing over €9 trillion in assets, are part of the Finance for Biodiversity Pledge.

3. Our approach

To better manage our exposure to biodiversity risks, we decided to define two exclusion lists : the first one is based on unsustainable environmental practices in the palm oil industry while the second exclusion list focuses on companies with strong negative impacts and controversies on the environment. More details on our these exclusions are available on our group exclusion policy :

https://am.oddo-bhf.com/france/en/professional_investor/ad/expertises_de_gestion/1008/investissement_durable__esg/1016

Our commitment to the Finance for Biodiversity Pledge will allow us to follow current methodological developments around relevant and consistent key performance indicators related to companies' footprints on biodiversity. The topic has gained traction in recent years, but it still remains difficult to assess and compare companies related to this sensitive topic. We also follow closely the current methodological framework discussions within the Taskforce on Nature-related Financial Disclosures (TNFD) to determine a common way of reporting on biodiversity issues and loss.

Despite the current methodological shortcomings, our internal model already integrates some criteria related to biodiversity. In our environmental pillar, we have a natural capital use criterion based on water intensity. It is imported from MSCI and we complement it with our own qualitative assessment. We also added a pollution and waste criterion, also stemming from MSCI. Finally our environmental controversies criterion tracks the negative impacts a company may have on the environment by evaluating the land use and biodiversity loss, water stress and toxic spills, also using MSCI and NGOs' work.

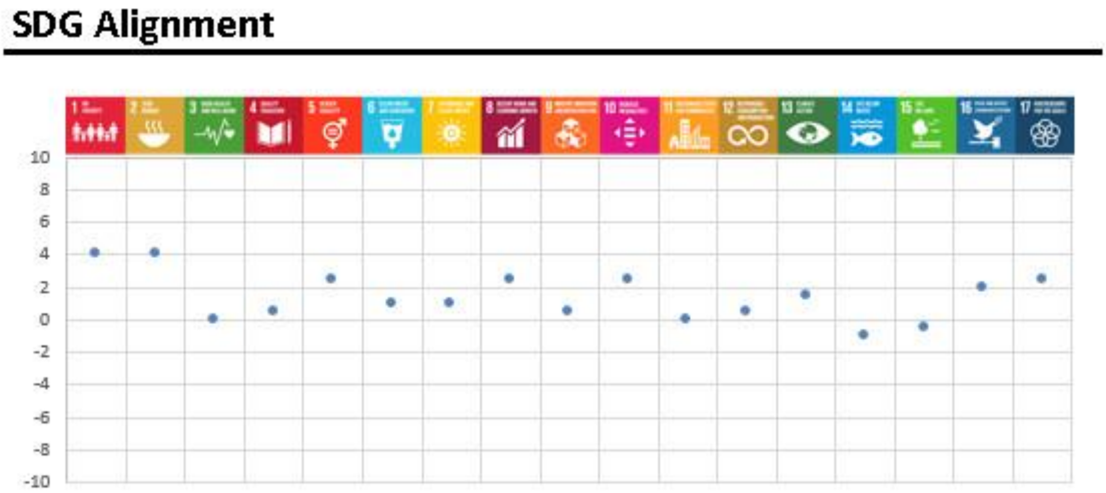
Example of our natural capital and pollution indicators

ENVIRONMENT	**62,7**	**100,0**
ENVIRONMENTAL MANAGEMENT SYSTEMS	**24,0**	**50,0**
1- Climate Change	**7,0**	**10,0**
	7,0	10,0
Scope 1+2		
Scope 3 Upstream		
Scope 3 Downstream		
2- Natural Capital	**12,5**	**25,0**
	12,5	25,0
Water Consumption Intensity (Cubic meters/$1m sales)		
3- Pollution & Waste	**4,5**	**15,0**
	4,5	15,0

Source: ODDO BHF Asset Management SAS

Given MSCI's SDG alignment score, we are able to assess the positive or negative contributions of an issuer related to the sustainable development goals of the United Nations in our synthetic factsheet. Some of these global objectives are directly connected to the biodiversity including clean water and sanitation (SDG 6), life under water (SDG 14). or on life on land (SDG 15).

Example of one company's alignment with the sustainable development goals



Source: ODDO BHF Asset Management SAS

We analyzed our aggregated equity and fixed income portfolios against some environmental and biodiversity key performance indicators to understand their footprint on biodiversity :

- The level of environmental severe and very severe controversies: "the percentage of a portfolio's market value exposed to companies facing one or more "Severe" or "Very Severe" environmental controversies related to energy & climate change, land use & biodiversity, toxic spills & releases, water stress, or operational waste" according to MSCI ESG Research.

- The level of high water stress exposure: the share of the portfolio's market value with a high water stress exposure score according to MSCI ESG Research.

Synthesis of some biodiversity indicators

Fund Name	Level of environmental very severe controversies	Level of environmental severe controversies	Level of high water stress
ODDO BHF Avenir	0,0%	0,0%	0,0%
ODDO BHF Avenir Euro	0,0%	0,0%	0,0%
ODDO BHF Avenir Europe	0,0%	0,0%	0,0%
ODDO BHF Génération	0,0%	3,40%	4,76%
ODDO BHF Active Small Cap	0,0%	0,0%	4,01%

ODDO BHF Sustainable Euro Corporate Bond	0,0%	3,91%	8,16%
ODDO BHF Euro High Yield Bond	0,0%	3,22%	2,33%
ODDO BHF LUX IM – ODDO Target 2024	0,0%	0,0%	4,08%
ODDO BHF Euro Credit Short Duration	0,0%	2,66%	2,73%

Source: ODDO BHF Asset Management SAS, MSCI ESG Research

4. Next steps on our biodiversity approach

As an active member of the "Finance for Biodiversity Pledge", we are going to monitor how the new methodologies integrating biodiversity risks may be appropriate for our internal rating model and our investments across asset classes. All sectors are dependent on biodiversity in a way or another. Beyond the risks, we need companies that understand their dependence on nature and ecosystemic services, demonstrate good governance frameworks to limit their negative footprint on their environment, but also take action to contribute positively to the biodiversity protection. We expect that the update of the Corporate Sustainability Reporting Directive (CSRD) will allow companies within the European Union to lay more emphasis on their biodiversity footprint and the actions they take to protect the environment.

Managing ESG risks

In assigning a heavy weighting to the criteria of governance and human capital, our ESG integration approach makes a significant contribution to portfolio companies, mainly through our analysis of execution risk, and through dialogue and engagement efforts.

ESG analysis, which is conducted collegially between the portfolio managers and the ESG team, helps us identify those extra-financial risks to which each issuer is potentially exposed including corruption, reputation, regulatory risks, talent retention, innovativeness, product quality and safety, and to determine whether they constitute a significant risk in meeting company's strategy and objectives.

Without applying a sector or thematic exclusion, our ESG research platform helps systematically to alert the portoflio managers to investments in companies that score the lowest (1 out of 5) and which are deemed to be at high-ESG risk.

Controls are organized at two independent levels:

- First-level controls are conducted by the operating teams, i.e., the portfolio managers, manager assistants, and the middle office.
- Second-level controls are conducted by the Risks & Compliance department, independently of "risky" activities. Risk including analysis and monitoring of market, liquidity and counterparty risks, alerts on high ESG risks and Compliance including internal control are in charge of conducting these controls.

In terms of organization, the seven-member Risks & Compliance department is independent of the managers and reports directly to the CEO of ODDO BHF Asset Management SAS.

Compliance handles alerts generated each day. The managers are informed immediately by Compliance of any incident or breach. Corrections are then made to the portfolios as soon as managers have been informed.

An escalation procedure exists, if necessary. All proven breaches are reported by email to the managers concerned and to the desk head, and are archived in an audit trail.

The processes and participants are as follows:

- Internal controls sends out email reminders and, in certain cases, verbal reminders in the event of any breaches that have already been processed but not yet resolved on the maturity date of the incident.

- Weekly reports of significant breaches are emailed to the Chief Compliance Officer, as well as the Chief Investment Officer. In the event of a persistent breach, the Compliance Committee is asked to rule on the matter and, failing that, the Management Board.

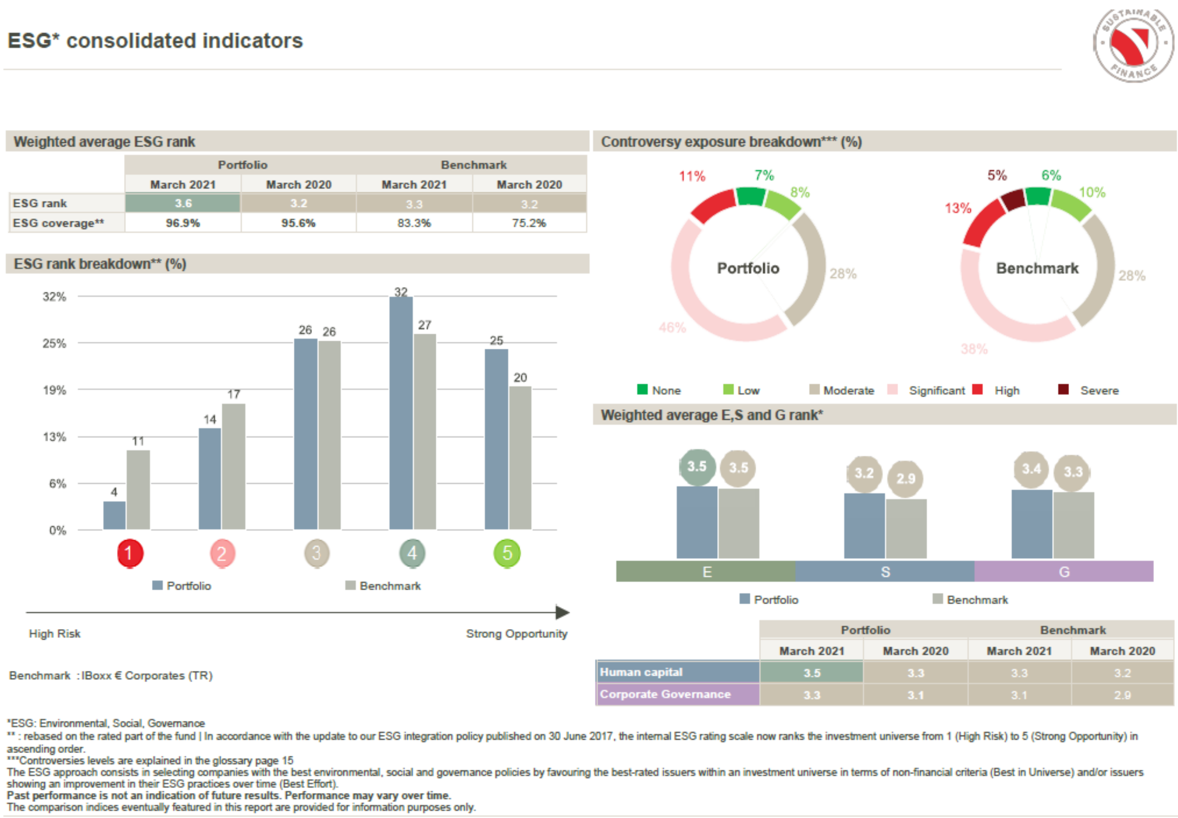
Impact assessment and ESG reporting

For funds integrating ESG criteria into their investment process, ODDO BHF Asset Management SAS reports the following information in its monthly performance reports:

- The breakdown in the portfolio related to in-house ESG ratings (scale of 1 to 5, see section 2.3);
- The weighted average ESG score; and
- The carbon intensity (scope 1 and 2) of the portfolio and of the benchmark index

In early 2020, ODDO BHF Asset Management SAS established a detailed monthly ESG report that includes the portfolio breakdown related to ESG rating, and detailed by E, S and G, as well as the exposure to controversies, the carbon and climate elements of the analysis, and the extra-financial impact indicators.

Extract from the detailed ESG reporting



ESG* consolidated indicators

Weighted average ESG rank

	Portfolio		Benchmark	
	March 2021	March 2020	March 2021	March 2020
ESG rank	3.6	3.2	3.3	3.2
ESG coverage**	96.9%	95.6%	83.3%	75.2%

Benchmark : IBoxx € Corporates (TR)

	Portfolio		Benchmark	
	March 2021	March 2020	March 2021	March 2020
Human capital	3.5	3.3	3.3	3.2
Corporate Governance	3.3	3.1	3.1	2.9

*ESG: Environmental, Social, Governance
** : rebased on the rated part of the fund | In accordance with the update to our ESG integration policy published on 30 June 2017, the internal ESG rating scale now ranks the investment universe from 1 (High Risk) to 5 (Strong Opportunity) in ascending order.
***Controversies levels are explained in the glossary page 15
The ESG approach consists in selecting companies with the best environmental, social and governance policies by favouring the best-rated issuers within an investment universe in terms of non-financial criteria (Best in Universe) and/or issuers showing an improvement in their ESG practices over time (Best Effort).
Past performance is not an indication of future results. Performance may vary over time.
The comparison indices eventually featured in this report are provided for information purposes only.

Source: ODDO BHF Asset Management SAS

ODDO BHF Asset Management SAS considers ESG impact assessment to be crucial in order to leverage best practices in the field of responsible investment. We therefore think it is essential to use quantitative criteria that are reliable, clear, simple and comparable from one portfolio to another irrespective of their composition such as company size, geographic diversity, sector diversity. Hence the choice of indicators is critical in ensuring that impact assessment is relevant in nature.

Our ESG reporting now systematically includes a page dedicated to extra-financial indicators.

Reporting on extra-financial indicators

	Portfolio			ESG investment universe			UN SDGs*
	June 2021	June 2020	Coverage	June 2021	June 2020	Coverage	
Environment							13 Climate Action; 7 Affordable and Clean Energy
Fossil fuel exposure	-	-	78.5%	0.7%	0.8%	89.7%	
Carbon solutions exposure "green part"	32.1%	34.9%	78.5%	42.8%	47.4%	89.7%	
Social							8 Decent Work and Economic Growth; 5 Gender Equality
5Y Employee growth (%)	5.3%	5.2%	77.2%	5.3%	5.8%	79.9%	
Female Executives	10.6%	12.4%	61.7%	14.6%	13.2%	83.0%	
Governance							16 Peace, Justice and Strong Institutions; 17 Partnerships for the Goals
UN Global Compact signatory	74.8%	80.5%	42.2%	70.3%	70.1%	39.8%	
Board members' independence	56.1%	58.6%	70.5%	56.6%	57.3%	83.7%	
Human Rights							16 Peace, Justice and Strong Institutions
Implementation of Human rights policy	95.2%	96.8%	47.4%	94.7%	93.4%	41.2%	

Source: ODDO BHF Asset Management SAS

Glossary

Active ownership: Actively exercising your rights as a shareholder. There are three ways to do this : voting at shareholder meetings, have an active dialogue with investee companies and engage with them on specific sustainability topics.

Best efforts: The best efforts approach consists of investing in companies demonstrating visible progress in terms of sustainable development strategy, regardless of their rank ESG.

Best-in-universe: The best-in-universe approach is to conduct a thorough analysis of the ESG factors of a company that is compared to the entire investment universe.

CDP: The CDP (formerly Carbon Disclosure Project) is an international organization who created a system that has resulted in unparalleled engagement on environmental issues between investors (representing more than $ 800bn), companies (more than 5 600), cities (533), states and regions (71) worldwide. CDP's data enables the network to link environmental integrity, fiduciary duty and public interest to make better-informed decisions on climate action.

Exclusion: This approach is to exclude an issuer based on the results of the internal ESG analysis and/or the exclusion policy of the management company (Ottawa Treaty and Oslo Convention).

Oslo Convention: The Oslo Convention on Cluster Munitions is an international humanitarian and disarmament treaty that totally prohibits the use, production, stockpiling and transfer of this category of weapons and provides for their removal and destruction. The text of the Convention was adopted by 107 states on 30 May 2008 in Dublin and was signed by 94 states in Oslo on 3 and 4 December 2008.

Ottawa Treaty: The Ottawa Treaty is an international disarmament treaty that prohibits the acquisition, production, stockpiling and use of anti-personnel mines. Opened for signature on December 3 and 4, 1997 in Ottawa, the treaty entered into force on March 1, 1999.

Principles for Responsible Investment (PRI): The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

Sustainable Development Goals (SDGs): The United Nations Sustainable Development Goals are a collection of 17 interrelated global goals set out by the United Nations. The SDGs cover a broad range of social development issues, such as poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment and social justice. On 25 September 2015, the 193 countries of the United Nations General Assembly adopted the 2030 Development Agenda titled "Transforming our world: the 2030 Agenda for Sustainable Development".

Taskforce for Climate-Related Financial Disclosures (TCFD): The Task Force on Climate-related Financial Disclosure was launched in 2015 by the G20 to review how the financial sector can take better into account climate-related issues.

Taskforce for Nature-Related Finacial Disclosures (TNFD): The Taskforce on Nature-related Financial Disclosures (TNFD) is a new global initiative which aims to give financial institutions and companies a complete picture of their environmental risks.

UN Global Compact (UNGC): The United Nations Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption. The initiative brings the 13000 corporate participants and other stakeholders over 170 countries with two objectives: "Mainstream the ten principles in business activities around the world" and "Catalyse actions in support of broader UN goals, such as the Sustainable Development Goals (SDGs)".

Company profile

ODDO BHF Asset Management is part of the independent Franco-German financial group ODDO BHF that was founded in 1849.

ODDO BHF AM is an asset management leader in Europe. It comprises ODDO BHF AM GmbH in Germany, ODDO BHF AM SAS and ODDO BHF Private Equity SAS in France and ODDO BHF AM Lux in Luxembourg, which together manage assets totaling € 58.4 billion.

ODDO BHF AM offers its institutional and wholesale clients a unique range of high-performance investment solutions in all main asset classes, i.e. fundamental and thematic equities, quantitative equities, fixed income, multi-asset solutions, private equity and private debt.

A UN-PRI signatory since 2010 ODDO BHF AM has integrated sustainable investment criteria into a wide range of strategies. Its ESG approach focuses on ESG criteria integration, engagement with companies and a climate policy supporting the energy transformation.

On a combined basis, 61% of assets under management are from institutional clients and 39% from distribution partners. The teams operate from investment centers in Dusseldorf, Frankfurt, Paris and Luxembourg with additional locations in Milan, Geneva, Zurich, Madrid, Stockholm and Abu Dhabi.

ODDO BHF AM puts the long-term support of its clients at the heart of its priorities. Its independence allows its teams to be responsive, flexible and innovative in order to constantly find solutions tailored to the customers' needs.

Disclaimer

ODDO BHF AM is the asset management division of the ODDO BHF Group. It is the common brand of three legally separate asset management companies: ODDO BHF AM SAS (France), ODDO BHF Private Equity SAS (France) and ODDO BHF AM GmbH (Germany).

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