

Guideline for integrating sustainability risks into the investment decision-making process

1. REGULATORY CONTEXT

In accordance with EU Regulation 2019/2088 of 27 November 2019 ("SFDR"), in particular Article 3 SFDR, the Management Company ODDO BHF Asset Management Lux, publishes on its website its policy on integrating sustainability risks into the investment decision-making process.

2. SCOPE OF THE POLICY

This policy applies to all funds managed by ODDO BHF Asset Management Lux that integrate sustainability risks into their investment process for financial products covered by Article 8 (Financial Products with Environmental and Social Characteristics) and Article 9 (Financial Products with a Sustainable Investment Objective) of the Sustainable Finance Advertising Regulation. This means that the company does not fully and systematically integrate sustainability risks into the investment process for financial products that only publish the information required under Article 6 SFDR.

3. APPROACH TO THE INTEGRATION OF SUSTAINABILITY RISKS

Introduction

Sustainability risks are incorporated into the investment process by taking ESG criteria (environmental and/or social and/or corporate governance) into account when making investment decisions.

Company-related sustainability information from MSCI is used for this purpose. An ESG filter based on three ratings is applied to the companies:

The MSCI ESG score assesses the vulnerability of companies to ESG-related risks and opportunities on a rating scale from "CCC" (worst rating) to "AAA" (best rating). The score is based on the sub-scores for the areas of environment, social and governance with a rating scale from "0" (worst rating) to "10" (best rating).

No investment will be made in companies with an MSCI ESG score of "CCC". Furthermore, no investment will be made in companies with an MSCI ESG score of "B" if the MSCI ESG sub-score in the categories Environment, Social or Governance is below "3".

2. MSCI Business Involvement Screens provide an analysis of the revenue generation of companies in potentially critical sectors. No securities will be acquired from companies if they generate revenue from controversial weapons (biochemical weapons, cluster munitions, blind lasers, land mines, etc.) or more than a certain amount of revenue from other weapons (total revenue share of nuclear, conventional and civilian weapons), gambling, pornography, tobacco, from coal mining or from coal-fired power generation.

The MSCI ESG Controversies Score analyses and monitors the management strategies of companies and their actual performance with regard to violations of international norms and standards. Among other things, compliance with the principles of the UN Global Compact is checked. Issuers that violate these principles according to the MSCI ESG Controversies Score are not acquired.

If sovereign securities are acquired for a Fund (direct investment), no sovereign securities will be acquired that have an insufficient Freedom House Index score. However, the Freedom House Index score is not taken into account for securities that are acquired indirectly as part of a target fund investment (no look-through).

At least 90 % of the issuers of the assets are assessed with regard to their ESG record (excluding target fund investments and money market instruments). The focus is on companies and countries with a high sustainability performance and an ESG analysis coverage of at least 90 % for the self-managed portfolios with a categorization according to Art. 8 SFDR. The objective is an average sustainability rating of "A" for the respective fund assets.

In addition, the Company complies with the obligations of the United Nations Principles for Responsible Investment ("UN PRI") with regard to environmental, social and governance issues and in the context of its engagement, e.g. by exercising voting rights, actively exercising shareholder and creditor rights and through dialogue with issuers.

The following sustainability risks are most relevant to the investment decision process. These risks could have an actual or potential material adverse effect on the value of the investment:

Environment:

- industry risks related to the company's environmental footprint;
- physical and transition risks related to climate change;
- Materiality of environmental controversies and management of related conflicts of interest;
- Dependence of the company on natural capital;
- Risks associated with the company's activities, products and services that may have an impact on the environment.

Social:

- Industry risks related to health and safety;
- Environmental and social risks in the supply chain;
- Management of social climate and human capital development;
- Quality management and risks related to consumer safety;
- Management and materiality of social/societal controversies;
- Management of innovation capability and intangible assets;

Governance:

- Quality and transparency of financial and non-financial communication;
- Industry risks related to bribery and cybersecurity;
- Quality of the supervisory bodies;
- Quality and sustainability of the corporate governance framework;
- Management of conflicts of interest in the context of corporate governance;
- Regulatory risks;
- Integration and management of sustainability in the corporate strategy.

The integration of sustainability risks is based on the Principles for Responsible Investment (PRI), to which ODDO BHF Asset Management Group has been a signatory since 2010. The Principles for Responsible Investment are part of our approach to asset management, which is based on fundamental analysis and a long-term investment horizon to effectively consider risks and opportunities. The management company ensures that ESG criteria, which are important to investors, are taken into account in the analysis and evaluation of issuers in the same way as traditional financial criteria.

Despite numerous initiatives and regulations covering non-financial information, ESG/sustainability research still lacks generally accepted and common standards. By investing in companies of all market capitalizations and in different asset classes, ODDO BHF Asset Management tries to avoid information bias.

Our exclusion policy

In accordance with international agreements and treaties, ODDO BHF Asset Management Lux unconditionally excludes any company involved in the development, production or distribution of controversial weapons. This exclusion includes the following:

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

ODDO BHF Asset Management Lux has also established a mandatory sector exclusion policy that is applied to funds that incorporate ESG criteria into their investment process. These exclusions apply to all or part of the following sectors, depending on the fund management strategy applied: coal, tobacco, alcohol, nuclear power, gambling, conventional weapons, pornography, GMOs and pesticides, shale gas and oil sands.

ODDO BHF Asset Management Lux has implemented a new exclusion policy for some mutual funds managed by ODDO BHF Asset Management as of 1 January 2021 based on violations of the United Nations Global Compact and has also tightened the existing carbon exclusion policy and extended it to all self-managed mutual funds. This exclusion policy does not necessarily apply to funds with an external advisor or manager. However, the external advisor or manager may have set its own exclusions based on its ESG strategy. Further details can be found in the respective fund prospectus.

ODDO BHF Asset Management Lux's new coal policy provides for a complete phase-out of coal in OECD countries by 2030 and 2040 for non-OECD countries. The new exclusion criteria are as follows:

Coal mining: any company whose annual production is more than 10 million tonnes or otherwise more than 5% of its revenue. These thresholds will be reduced to 0% by 2030 for EU and OECD countries and by 2040 for the rest of the world.

Electricity generation: any company where coal accounts for more than 25% of production. These thresholds are lowered for EU and OECD countries to 20% in 2022, 15% in 2024, 10% in 2026, 5% in 2028 and 0% in 2030.

Development of new projects: any company active in coal mining or coal-fired power generation that develops new projects using thermal coal, regardless of the size of the project.

Green Bonds issued by an issuer on the Company's exclusion list may be acquired if the respective bond does not relate to the modernization of coal-related facilities and/or the improvement of their energy efficiency.

Our commitment to shareholders

As a long-term and conviction-based investor, ODDO BHF Asset Management LUX has implemented a three-pronged approach to shareholder engagement, which is available on our website.

Dialogue with companies

Our approach focuses on improving the business practices and transparency on environmental, social and governance issues of the companies in which the portfolios invest. This is not about activism, but about engaging in dialogue with companies where necessary and addressing issues on an individual basis. We believe that efforts to make progress on non-financial issues can create long-term value for all stakeholders. The management company publishes an annual report on its engagement and dialogue activities.

Exercise of voting rights at general meetings

ODDO BHF Asset Management Lux regards the exercise of voting rights as an integral part of its responsibility as a shareholder. ODDO BHF Asset Management Lux votes at the meetings of European companies belonging to the universe of the FTSE Eurofirst 300 index, in which its UCIs jointly hold directly more than 0.50% of the capital. However, the management company may, in very exceptional circumstances, be unable to vote for reasons of efficiency, cost or delay. In addition, ODDO BHF Asset Management Lux strives to vote for all companies held in portfolios that integrate ESG (Environmental, Social and Governance) criteria into their investment process. In accordance with its reconciliation policy, ODDO BHF Asset Management Lux uses an external service provider, ISS, to review the resolutions and translate the principles of ODDO BHF Asset Management Lux's reconciliation and engagement policy into detailed reconciliation proposals. The ISS recommendations are presented to the management company, who makes the final voting decisions after consultation with the ESG research team for social and environmental resolutions.

Individual or community engagement

The management company's individual engagement process focuses on companies that are ranked lowest in our internal methodology (i.e. 1 on a scale of 1 to 5 or CCC on a scale from CCC to AAA) and/or are the subject of serious controversy. Our engagement process consists of systematically identifying and explicitly defining areas where we expect progress to be made so that we can monitor and evaluate the results achieved. Our approach is considered successful if dialogue with an issuer leads to increased ESG transparency and/or improved ESG practices within 18 to 24 months. If engagement is not successful (dialogue proves non-existent or unsatisfactory), our fund management teams may decide to divest it, if an active position is already held, or exclude the issuer from the investment universe. In terms of sustainable development, ODDO BHF Asset Management Lux believes that collaborative

engagement is an effective way to achieve concrete and measurable results within a reasonable timeframe. We are therefore engaged in several collaborative initiatives, both locally and internationally.

Details of our engagement approach and results can be found on the management company's website.

Risk management for sustainability

Through the high weighting of governance and human capital criteria (personnel/management quality), our ESG integration approach makes a significant contribution to our knowledge of portfolio companies. This step, conducted in collaboration between fund managers and ESG research, identifies the non-financial risks each issuer is potentially exposed to (e.g. corruption, reputation, regulatory risks, talent retention, innovation, product quality and safety, etc.).

Beyond the sector exclusions that apply to strategies that integrate ESG criteria into their investment process and are subject to a pre-trade ban, an ESG screening prior to each investment is part of the standardized investment process.

Sustainability risk controls are organized on two independent levels:

-First level controls are carried out by operational teams, i.e. fund managers, management assistants and the Middle Office.

-Second level controls are performed by the Risk and Compliance Department, independent of front office activities.

Organizationally, the Risk & Compliance department is independent of the fund managers and reports directly to the management of ODDO BHF Asset Management Lux. Risk Management processes the alerts generated daily (in analyses, incident reports, etc.). The fund managers are immediately informed by Risk Management of any incident or breach. As soon as the managers are informed, corrections are made in the portfolios. An escalation procedure is in place.

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