



As of December 31, 2018, approximately €6.6 billion of the assets managed by ODDO BHF AM, around 12% of our assets under management, have incorporated ESG criteria into their investment process, including UCI and bespoke solutions for segregated accounts (screening, exclusion lists, sector exclusions, voting policy).

## Our ESG approach

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## OUR ESG APPROACH

Our commitment to integrating ESG factors is fully aligned with ODDO BHF AM's **conviction-based** and **long-term** investment philosophy. By taking into account the criteria that are most significant and most relevant to investors, our approach aims first and foremost **to impact** portfolio construction.

Meeting the long-term challenges of sustainable development with the objective of delivering financial performance to our customers requires an advanced practice of ESG integration, which in our case is centered on two pillars:

- the adoption of an absolute ("best-in-universe") approach
- the search for progress by entering into a dialogue with companies

Our ESG approach is currently applied to equity and credit strategies.



## ESG analysis and portfolio construction

Based on a **"best-in-universe"** approach, consisting of rating each company in relation to the entire investment universe, our ESG analysis methodology helps us obtain the broadest possible insight into the company's risks and opportunities and long-term perspective.

Our methodology is based on an internal model of 42 criteria, giving priority to **the most significant criteria**<sup>1</sup> in each of the three blocks Environment (risks and / or environmental opportunities of

products and services), Social (human capital, quality of the management team), and Governance (corporate governance).

Our ESG analysis relies on external data providers (Sustainalytics, Bloomberg, Factset), brokers selected for their ESG expertise, and regular meetings with issuers. This information is then incorporated into the in-depth internal analysis conducted by our teams.

### Structure of our ESG analysis model and exemplary criteria

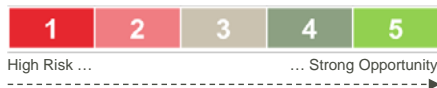
Environment	Social	Governance
Environmental Management Systems (EMS)	Regulation	Sustainable Development Strategy
Environmental opportunities	Operating licences / Reputation	Corporate Governance
Environmental risks	Human capital	Business ethics
Environmental risks	Social ecosystem	Business ethics
Examples of criteria	Examples of criteria	Examples of criteria
<ul style="list-style-type: none"> <li>• Carbon intensity</li> <li>• Waste management</li> <li>• Products' environmental value added</li> <li>• Environmental transition risks</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers incidents</li> <li>• Profile of the CEO</li> <li>• Executive committee composition</li> <li>• Turnover of employees</li> <li>• Client capital / brand value</li> </ul>	<ul style="list-style-type: none"> <li>• External certification of ESG data</li> <li>• Minority shareholders rights</li> <li>• Compensation policy</li> <li>• Board composition</li> <li>• Exposure to the risk of corruption</li> </ul>

Source: ODDO BHF AM

<sup>1</sup> Criteria potentially having a financial impact on corporate performance

Each company analyzed is assigned a score (out of a maximum of 100 points), with the investment universe being broken down using a ESG rating scale ranging from 1 (the lowest) to 5 (the highest).

#### Internal ESG rating scale



Source: ODDO BHF AM

Our analysis model takes into account **the controversies** (industrial accidents, pollution, allegations for corruption, anticompetitive practices, product safety, supply chain incident, etc.), notably based on input provided by Sustainalytics. This factor therefore directly impacts the final ESG score of each company.

By factoring in an **“execution risk”** regarding a company's long-term strategy, our ESG analysis **influences the construction of portfolios** (valuation, weighting, buying and selling discipline).



## Dialogue with companies

Regarding the most material ESG topics, we meet the lowest rated companies represented in our portfolios in pursuit of **progress<sup>2</sup> rather than exclusion**.

The decision to initiate a dialogue is made by our **ESG Committee** that meets on a quarterly basis and represents all our management expertise (equities, e.g. large and mid-caps, and credit).

Our approach is considered successful if the dialogue with an issuer over time leads to greater ESG transparency and / or improvement of ESG practices. If our engagement proves unsuccessful (non-existent or unsatisfactory dialogue), the management teams may decide to divest, if necessary.



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<sup>2</sup> Through dialogue and engagement, we talk to companies prompting them to improve their ESG practices.



## Voting policy

We at ODDO BHF AM believe that the exercise of voting rights is an integral part of our shareholder responsibility, consistent with our commitments as a signatory of the PRIs (Principles for Responsible Investment of the United Nations) regarding environmental, social and governance criteria.

The ESG analysis is one of the aspects guiding – on a case-by-case basis – our voting policy at general meetings, **with priority being given to**

**governance and human capital** (quality of management / human resources). Our voting policy is available on our website:

[https://am.oddo-bhf.com/france/en/professional\\_investor/infos\\_reglementaire](https://am.oddo-bhf.com/france/en/professional_investor/infos_reglementaire).

ODDO BHF AM SAS votes systematically for all companies held in portfolios incorporating ESG criteria in the investment process.



## Our commitments

Signatory to the Principles for Responsible Investment of the United Nations (PRI) since 2010, ODDO BHF AM is involved in several international initiatives and working groups in France and Germany to promote a sustainable approach to investment.

ODDO BHF AM also is committed to complying with the Ottawa Treaty 1997 and the Oslo Convention 2008, excluding from its portfolios any companies involved in anti-personnel mines and cluster bombs.



# Our climate strategy

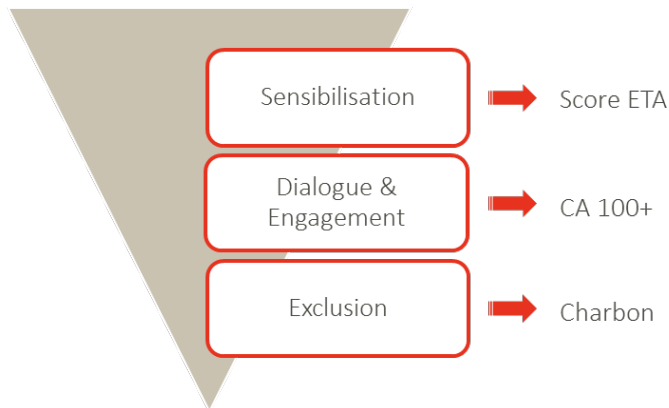
As a member of the Carbon Disclosure Project (CDP) since 2006, the ODDO BHF group has for several years placed the climate issue at the heart of its thinking. In addition to measuring carbon intensity of certain portfolios in line with Article 173 of the French Energy Transition for Green Growth Law, ODDO BHF AM has built its environmental strategy around three axes:

- An analysis of the positioning of our ESG integrating portfolios in terms of environmental risks and opportunities in

relation to long-term climate scenarios (**ETA score derived from the Energy Transition Analysis**)<sup>3</sup>

- A policy of dialogue and active engagement with companies, particularly on environmental issues (**Climate Action 100+ initiative**)
- **Exclusion policy targeting coal for all funds integrating ESG criteria** because of its contribution to global CO2 emissions and all its negative ecological and social effects

## The three pillars of our climate policy applied to funds integrating ESG criteria



Source: ODDO BHF AM

<sup>3</sup> See also our white paper "ODDO BHF AM's approach to climate change", December 2017

**Our range of funds integrating ESG criteria:**

ODDO BHF Algo Ethical Leaders

ODDO BHF Avenir

ODDO BHF Avenir Euro / Europe

ODDO BHF Euro Corporate Bond

ODDO BHF European Convertibles Moderate

ODDO BHF Génération

ODDO *WerteFonds*

Documents related to our climate policy are available on our website:

<https://www.oddo-bhf.com/#!actualites/en>.

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**All these funds are subject in particular to a risk of capital loss.**

For more information on in which countries the funds are registered for distribution, please see further below in the Disclaimer section.

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## Countries of registration:

**ODDO BHF Algo Ethical Leaders** is registered for distribution in France and Germany.

**ODDO BHF Avenir** is registered for distribution in: Austria, France, Germany, Italy, the Netherlands, Spain and Switzerland.

**ODDO BHF Avenir Euro** is registered for distribution in: Austria, France, Germany, Italy, the Netherlands, Singapore, Spain and Switzerland.

**ODDO BHF Avenir Europe** is registered for distribution in: Austria, Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and Switzerland.

**ODDO BHF Euro Corporate Bond** is registered for distribution in: Austria, Chile, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

**ODDO BHF European Convertible Moderates** is registered for distribution in: Austria, Belgium, France, Germany, Italy, the Netherlands, Portugal, Spain and Switzerland.

**ODDO BHF Génération** is registered for distribution in: Austria, Belgium, Chile, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and Switzerland.

**ODDO WerteFonds** is registered for distribution in Germany.