



ODDO BHF
ASSET MANAGEMENT

Responsible Investor Report

*ARTICLE 29 OF LAW N°2019-1147 (EN-
ERGY-CLIMATE LAW – KNOWN AS
“LEC”)*

ODDO BHF PRIVATE EQUITY AS OF 31/12/2022

(AS OF 01/01/2023, ODDO BHF PRIVATE EQUITY MERGED WITH ODDO BHF ASSET MANAGEMENT, A
PORTFOLIO MANAGEMENT COMPANY APPROVED BY THE AUTORITÉ DES MARCHES FINANCIERS)

JUNE 2023

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The present report was established within the framework of the Article 29 of the Energy Climate Law (Decree No. 2021-663 of May 27, 2021). ODDO BHF Private Equity report presents the procedures for taking into account, in its investment strategies, the environmental, social and governance (ESG) criteria and the means implemented to contribute to the transition. The present report aims to cover the disclosure obligations arising from Article 29 for the entity and funds.

All documents with the scope can be found on our Sustainable investing webpages: https://am.oddo-bhf.com/france/en/professional_investor/ad/sustainable_investment/1339/publication/1380 and <https://pa.oddo-bhf.com/en/ResponsibleInvestment>

1° General approach of the entity

1. Our general approach to the consideration of environmental social and governance (ESG) criteria

Analyzing and understanding the materiality and potential impacts of ESG issues of our investments is crucial to investment risk management; and effective mitigation of these considerations can have a material impact on value creation and long-term success.

The core of our business is evaluating investment opportunities by identifying risks and mitigating factors, including those related to sustainability. We have taken the approach, with the aim of being transparent, of evaluating ESG characteristics and integrating it into our investments where applicable and for the relevant funds. Our approach, and encouraging those we invest with to do likewise, makes us better stewards of our investors and better partners for the managers and portfolio companies we work with.

The Private Equity team will endeavor to:

- Take account of ESG characteristics as part of the investment process, with the results forming a key element of the overall analysis on investment opportunities, where appropriate and for the relevant funds
- Engage with the general partners (“GPs”) of portfolio funds to promote the importance of ESG characteristics and programs (notably the stewardship of their portfolio companies during the holding period and of any material ESG incidents that may arise), where appropriate and for the relevant funds
- Monitor ESG-related information and sustainability risks for portfolio funds and, to the extent available, underlying investments, where appropriate and available for the relevant funds
- Follow a policy of active ownership when possible, highlighting our interest in ESG through our routine interactions with GPs and more specifically in relation to specific incidents
- Keep our Limited Partners (LPs) aware of ESG-related topics through dedicated ESG reporting and encourage GPs to provide a similar level of reporting
- Encourage an ESG dialogue with relevant industry associations (FranceInvest, PRI, etc.) and continue to develop and enhance our ESG approach to maintain industry standards

We incorporate ESG factors throughout the investment cycle as described below and depending on the availability of information, the extent of our control over a given investment, and our ability to exert influence, which vary according to the type of investment (primary, secondary, or direct co-investment). Below are the details of the steps taken to integrate ESG in the pre-investment, due-diligence, investment committee and post-investment phases:

1. Pre-investment due diligence

Screening is applied on a case-by-case basis for investment strategies targeting environmental themes. Additional due diligence is done pre-investment to ensure the selected investment opportunities align with the fund themes such as circular economy, resource management. An ESG fund theme and self-assessment questionnaire is sent to the third-party manager to assess the likely level of conformity of the future portfolio investments of a fund, or in the case of a Direct Co-investment, the conformity of the portfolio company itself, with the fund's themes.

2. ESG due diligence

We incorporate ESG factors into the due diligence process for investments in Article 8 SFDR funds. The breadth and depth of our analysis necessarily depends on the availability of information, the extent of our control over a given investment, and our ability to exert influence, which vary according to the type of investment (primary, secondary, or direct co-investment). Below are the details of the ESG due diligence approach by type of investment for the eligible funds.

SFDR Article 8 fund(s)¹

Primary Fund Investing

Sustainability risk management forms a component of the risk assessment conducted on each GP as part of our primary due diligence process and each primary manager is analyzed for its ESG approach. It therefore represents a formal and documented portion of the due diligence activity and covers the following areas:

- Whether the GP is a signatory of the PRI or any other ESG related standards
- Whether the GP has formalized an ESG Policy
- The ESG philosophy and procedures of the GP, and the comprehensiveness of their ESG due diligence activities (including for example hiring external specialist advisors) before investment

¹ SFDR Article 8 funds are those that promote environmental or social characteristics, provided that the companies in which the investments are made follow good governance practices.

- Who within the organization is responsible for incorporating ESG considerations into investment decisions
- How the GP engages and promotes sustainable business practices with portfolio companies during ownership, preferably including examples from prior investments
- How the GP have added ESG-related value at exit
- Whether the GP report on significant ESG risks that arise in portfolio companies to advisory boards and/or in quarterly LP reporting.

As part of our due diligence process, we also focus on examining the potential for fraud, rogue activities, and other unethical behavior of GPs. Our extensive cross referencing of GPs prior to investment, including both onlist and backdoor referencing through the PE team's vast network, means that every effort is made to invest only in fund managers that are of institutional quality and in managers that understand the importance of reputation in the marketplace. However, it is worthwhile noting that despite these efforts, potential ESG risks, and controversies may remain.

Direct Co-investments

With regards to co-investing directly in a company, our due diligence process will consider the following:

- The potential ESG risks that the company may be exposed to, particularly if the company is active in sector with high sustainability risks and whether appropriate protection or adherence to appropriate industry standards
- The GP's plan for mitigating these risks and how this has been achieved with prior investments with similar characteristics
- The GP's own ESG due diligence on the company as well as any ESG issues with the GP itself.

The ESG fund theme and self-assessment questionnaire sent allows to establish whether the third-party manager has a high-quality general ESG awareness, due diligence, and implementation process as well as high-quality ESG monitoring and re-reporting. In certain cases, it is possible to obtain other documents (ESG policy or other) which provide responses to the questionnaire or supplement the analysis. The results of the questionnaire are analyzed either by an external service provider or internally. This analysis seeks to verify the quality of the investments with regard to ESG criteria and the compliance with the fund's investment strategy.

SFDR Article 6² and 8 fund(s)

Secondary Fund Investing

When evaluating potential secondary investment opportunities, we recognize that we are often compelled to take a broad view. While we may have visibility about underlying assets for some deals, at times such information is closely guarded and only accessible once we reach a certain phase of the deal process. Additionally, sustainability-related information and data on the underlying private companies in the secondary fund investments are currently more than often not available and/or cannot be reasonably accessed before an investment decision needs to be made. Therefore, we concentrate our sustainability efforts on engagement with the GPs in our secondaries portfolios through our annual ESG questionnaire.

Noting that in 2023 we will develop our own in-house ESG research and rating model for GPs and portfolio companies, applicable irrespective of the type of investments, covering social, environmental, governance risks, as well as aims positive contributions/opportunities and negative impacts of the activities as well as potential controversies.

3. Investment Committee

The blind-pool nature of private equity fund investment means it may not always be possible to screen out companies prior to investment that are undesirable from an ESG perspective. In such cases, we will seek to engage and influence the manager to improve standards of ESG integration and governance. Therefore, we may not exclude an underlying manager or direct investment if it displays weak ESG practices, as long as there is a commitment by the underlying manager or company to address these shortcomings. However, when we foresee that an underlying manager or direct investment will not or cannot address our ESG concerns, then we will aim to exclude this particular investment from the portfolio or decline to participate in a transaction altogether if it represents a significant portion of it.

Going forward, in 2023, an ESG memo will formally and systematically be presented to the Investment Committee prior the final investment decision. This memo will cover quantitative data such as overall ESG Scores and for each key pillar as well as qualitative comments and alignment with the UN SDGs.

² SFDR Article 8 funds are those that promote environmental or social characteristics, provided that the companies in which the investments are made follow good governance practices. SFDR Article 6 funds are those that do not integrate sustainability risks into the investment decisions.

In addition, we may include a side-letter of any clarifications, precision of reporting obligations with regards to ESG, Fund Themes or Target SDGs, and rectifications or ESG improvement obligations, on the part of the third-party manager of a proposed Investment, as appropriate.

4. Post investment monitoring and reporting

Annual ESG Questionnaire Campaign

Post-investment, we continue to monitor the ESG status of fund investments through an annual ESG questionnaire campaign where comparisons are made on a year over year basis. Sample datapoints include carbon intensity, percentage of non-renewable energy consumption, turnover, etc. We also monitor and assess the company activities alignment with the UN SDGs.

Annual ESG Reporting

The data collected in the questionnaire campaign is presented in the annual ESG report which also details the ESG progress and priorities. This enables us to report portfolio-level progress back to our own investors, as well as track our progress in implementing our own responsible investment policy.

The report is available upon request. ESG updates are also shared at its annual meeting and in periodic investor updates. Additionally, as part of regulatory requirements under the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy, disclosures and annual required reporting are produced and available.

2. Transparency and ESG reporting

Summary of sustainability-related documents

Documents	Scope	Description
Annual PRI report	ODDO BHF Private Equity ³	The Responsible Investment Transparency Report includes Private Equity assets and enables signatory transparency on RI activities and facilitate dialogue between investors and clients, beneficiaries, and other stakeholders.
Annual ESG report	ODDO BHF Private Asset Funds	This document gives information on ESG progress & priorities throughout the year, ESG data analysis of investments and results of the Annual ESG Campaign.
Article 29 of the Law N°2019-1147 (Energy-Climate Law – known as “LEC”)	ODDO BHF Private Equity	Definition of the information obligations of institutional investors concerning their transparency in relation to the integration of ESG criteria in their investment operations.
Responsible Investment Policy Private Assets	ODDO BHF Private Assets ⁴	This document explains the sustainable approach, the means implemented to promote sustainable development and the governance adopted for ODDO BHF Private Assets.

Source: ODDO BHF Asset Management, 2023.

All documents with the scope can be found on our Sustainable investing webpage: https://am.oddo-bhf.com/france/en/professional_investor/ad/sustainable_investment/1339/publication/1380 and <https://pa.oddo-bhf.com/en/ResponsibleInvestment>

3. Financial products: "Article 8" and "Article 9"

As of 30th December 2022, committed capital for ODDO BHF Environmental Opportunities (Article 8) was 201M€.

4. Collaborative industry initiatives

³ Starting January 2023 the Private Equity PRI assessment will be integrated with the ODDO BHF Asset Management PRI Report.

⁴ ODDO BHF Private Equity SAS, ODDO BHF Asset Management Lux

We are involved in international and national initiatives to promote ESG integration and stewardship, encourage dialogue on and raise awareness of sustainable investing among various stakeholders, as well as influence issuers to improve their ESG practices. Collaborative engagements are a powerful mechanism for investors to collectively have more leverage and influence.

We joined the Initiative Climate International (iCi) in 2021. Our membership in this initiative allows us to be a part of an endorsed, global, and collaborative initiative to assess and mitigate private equity’s exposure to climate change risk. We also gain access to climate-related training materials and workshops.



The three commitments under the initiative are:

- We recognize that climate change will have adverse effects on the global economy, which presents both risks and opportunities for investments
- We will join forces to contribute to the objective of the Paris Agreement to limit global warming to well below two degrees Celsius
- We will actively engage with portfolio funds and companies to reduce their greenhouse gas emissions, contributing to an overall improvement in sustainability performance.

Additional relevant memberships include:

SIGNATORY	SUPPORTER	MEMBER
  	 	 

Source: ODDO BHF AM SAS, 2023

We took a public step in 2015 by signing the UN Global Compact to promote and adopt sustainable and socially responsible practices or support other climate and nature related groups such as the TCFD and TNFD.

2° Internal resources deployed by the entity

1. Resources dedicated to sustainable investing

ESG Experts Team

ODDO BHF Private Equity leverages on ODDO BHF Asset Management ESG/Sustainability Team to facilitate ESG integration into our investment process for expert advice on a wide range of subjects including investment strategy and regulatory policy and requirements.

The ESG Research team consists of 5 ESG analysts having various and multi-disciplinary career backgrounds. The Global Head of ESG Research reports to the CEO of ODDO BHF Asset Management SAS and is a member of the Global Management Committee.

Support Function Team

The Risk & Compliance team comprises of two people and ensures compliance investment process, including the respect of the exclusion lists and ESG selection rules if applicable. .

The Legal team comprises of three people.

Data management and dedicated tools

The ESG due diligence may rely on data and information from:

- An internal ESG guidance for each criteria including questions to ask companies in engagements
- Documents made available via the GPs, sponsors or companies themselves; dedicated ESG fact books and the ESG sections of information memoranda
- Specialized broker publications (including thematic research)
- The analysis of an ESG questionnaire completed by the company on a case-by-case basis
- Expert interviews (network of current or ex-top managers of the industry/sector in question).

These are particularly important sources of information as we recognize that the companies invested in in Private Equity may only provide a limited amount of information regarding their ESG performance.

External provider

We also leverage from an external service provider to enhance ESG due diligence activities and conduct annual ESG questionnaires. Over the past years, we have raised the ESG budget in order to support our ambitions in sustainability. Our overall amount allocated to data providers is approximately €55 000.

2. Actions taken to strengthen the entity's internal capacities

ESG trainings

Members of the investment team, investor relations, finance, and other team members will be provided with both formal and informal training covering ESG topics. Some of these trainings originate from the ESG/Sustainability team at ODDO BHF Asset Management and past topics have included SFDR and climate change. The Private Equity platform also benefits from the CSR activities of the broader group, including for example the endowment fund and foundation, environmental impact reduction and responsible purchasing programs and HR programs with regards to gender balance and disability inclusion.

Enhanced ESG integration and products

We plan to strengthen the ESG integration process in 2023 by formalizing ESG exclusions and developing our own in-house ESG research and rating model for Private Equity investment strategies. In addition, after the due diligence process, an ESG memo will be formally presented to the Investment Committee prior the final investment decision covering quantitative data such as overall ESG Scores and for each key pillar as well as qualitative comments and alignment with the UN SDGs. The outcome of the ESG analysis can influence the final investment decision.

Regarding our product range, we launched an Article 8 Private Equity fund in 2021 and plan further Article 8 launches in 2023.

Finally, we will continue to strengthen the data collection process by adding ESG indicators which are best practice and based on market intelligence, including the Principle Adverse Indicators (PAIs).

3° Consideration of ESG criteria at the entity's governance level

1. Governance structure

To formalize and support our Responsible Investment program, the ODD BHF Private Assets (“OBPA”) ESG Committee was established in 2021.

The Private Assets ESG Committee is a cross-functional team comprised of professionals from all levels of seniority and drawn from across the investment teams, ESG research and strategy, investor relations, legal and compliance. The Private Assets ESG Committee serves as an internal advisory resource that aims to assist with investment related ESG considerations, meet regulatory and client demands.

The Private Assets ESG Committee’s role involves:

- Define and validate the ESG strategy, processes, and practices, and responses to regulatory developments
- Discuss new ESG and impact product concepts, tools, and data to improve the sustainable investment approach for private assets
- Discuss investment cases that have been escalated by the respective investment teams as requiring enhanced ESG due diligence

While the ESG Committee members are responsible for driving our ESG activities, all our investment professionals are committed to the same objectives. Responsibility for implementing our ESG policy rests with all staff.

2. Compensation policy

Since 2021, the remuneration policy has been adjusted to integrate sustainability risks. Our variable remuneration policy explains how this works:

https://am.oddo-bhf.com/France/en/professional_investor/DownloadSingleDocumentML?Langue=GB&IDSarray=11364&IdSeqArray=1241629

4° Active Ownership Strategy

1. Presentation of the active ownership strategy

We have adapted our approach to active ownership with the companies we finance in Private Equity to take account for our more limited position in the ESG strategy and general governance of the companies. Whilst we have a Voting Policy, it is not applicable for the time being to the Private Equity investment platform.

The level of engagement depends on the level of access to senior management which in turn is impacted by the concentration of lenders in the deal and/or arrangement role. Nevertheless, the team endeavors to:

- Engage with the general partners (“GPs”) of portfolio funds to promote the importance of ESG characteristics and programs (notably the stewardship of their portfolio companies during the holding period and of any material ESG incidents that may arise), where appropriate and for the relevant funds
- Have routine interactions with GPs and more specifically in relation to specific incidents
- Encourage an ESG dialogue in alignment with our internal practices and with relevant industry associations (FranceInvest, PRI, etc.)
- Keep our Limited Partners (LPs) aware of ESG-related topics through dedicated ESG reporting and encourage GPs to provide a similar level of reporting

Along with active engagement with GPs, the ESG questionnaire allows to evaluate the ESG progress over time.

To find out more about our active ownership strategy, please refer to our Responsible Investment Policy: <https://pa.oddo-bhf.com/fr/ResponsibleInvestment>

2. Investment strategy decisions

The dialogue continues in the post-investment phase, alongside monitoring activities to gauge improvements or deteriorations in ESG issues. In the case that a material ESG problem or controversy arises concerning a portfolio company, we may be able to ask the company’s management to treat the problem by setting up a clear action plan in collaboration with other stakeholders (sponsors, other lenders).

5° Information on the European Taxonomy and fossil fuels

EU Taxonomy

For an activity to be considered aligned with the Taxonomy, it must also respect human and social rights guaranteed under international law (the minimum social safeguards). For the time being, we commit to 0% of EU Taxonomy aligned investments across our Private Equity funds. Indeed, we are not able to have reliable and consistent data for Private Equity investments for the time being and fund of fund investments makes the retrieving and aggregation of data challenging. The data availability ranges from scarce to non-existent in non-listed assets.

Fossil Fuels

We are not able to provide the share of Fossil Fuel investments for Private Equity investment platform to date. Indeed, we may not have visibility about underlying assets for some deals and at times such information is closely guarded by GPs. Additionally, sustainability-related information and data on the underlying private companies are currently more than often not available especially for secondary investments. We will however work on being able to provide this data going forward.

6° Strategy of alignment with the international objectives of limiting global warming

At the company level, in 2021, ODDO BHF Asset Management committed to phase-out any direct thermal coal investments by 2030 within EU / OECD countries and by 2040 in the rest of the World. Going forward this commitment will extend to our Private Assets activities.

When applicable and for the relevant funds, climate-related indicators are considered through the pre-investment questionnaire on a case-by-case basis, and through the post-investment monitoring and reporting cycle with the Annual ESG Questionnaire campaign. Climate-related indicators include for instance carbon footprint, formalized climate strategy and formalized environmental commitments and objectives.

When applicable and for the relevant funds going forward, we will formalize the inclusion of climate risks in the internal ESG due diligence process we are putting in place in Q1 2023: at the GP level, we will systematically analyze whether there is a climate strategy and policy in investments, and targets and objectives set; at the portfolio company level, we will assess climate related risks such as climate change, carbon emissions, energy management depending on sector materiality as well as alignment with the EU Taxonomy where possible. There will also be additional climate related assessment questions in the Annual ESG questionnaire including Principle Adverse Indicators (PAIs).

7° Biodiversity

Biological diversity is essential in preserving ecosystem services which are essential for our well-being, development, and economic growth. We are aware of the risks that biodiversity loss presents to our investments and the wider financial industry.

When applicable and for the relevant funds, biodiversity is considered at pre-investment level and in the monitoring and reporting cycle where material and alongside other ESG risks. For instance, the questionnaire assesses whether management companies have carried out an estimation of their biodiversity footprint of their investments. Going forward, we will formalize the inclusion of biodiversity risks in the internal ESG due diligence process we are putting in place in Q1 2023: at the GP level, we will systematically analyze whether there is a biodiversity strategy and policy in investments, and targets and objectives set; at the portfolio company level, we will review natural capital (biodiversity & land use) risks depending on sector materiality. There will also be additional biodiversity related assessment questions in the Annual ESG questionnaire including the PAIs.

With regards to establishing clear alignment paths on biodiversity, this still presents challenges for the time being for several reasons:

- Firstly, measuring the impact of companies on biodiversity requires the consideration of a multiplicity of variables compared to measuring the climate impact of an investment or a portfolio, which can be captured through CO2 emissions
- Secondly, the data availability for each of the variables ranges from scarce to non-existent in non-listed assets, and the expectation of a biodiversity data disclosed by companies in a harmonized way seems very limited for the moment
- Thirdly, impacts on ecosystems are more geolocated in contrast to impacts on climate, which are more global. This complicates even more the measurement exercise at a company level
- Finally, the methodologies for measuring the impact on biodiversity vary widely from one provider to the other and are not harmonized. There is also little coverage of non-listed assets.



8° Consideration of ESG criteria in risk management

1. Description of the risk management process

ESG risks are integrated in the investment process with a tailored approach depending on the investment type and Fund. Risks are assessed and managed during the investment cycle, from the pre-investment due diligence phase to the post-investment monitoring and reporting.

Screening is applied on a case-by-case basis for investment strategies targeting environmental themes. Additional due diligence is done pre-investment to ensure the selected investment opportunities align with the fund themes such as circular economy, resource management. An ESG fund theme and self-assessment questionnaire is sent to the third-party manager to assess the likely level of conformity of the future portfolio investments of a fund, or in the case of a Direct Co-investment, the conformity of the portfolio company itself, with the fund's themes.

The investment process is controlled by the Compliance Team (2nd level controls) in charge of the activity, including the respect of the exclusion lists and ESG selection rules if applicable.

The Investment Team monitors the compliance with certain investment limits/ratios. The Compliance Team is in charge of second-level controls and ensures the appropriate application of first-level controls by the Investment Team as regard to ESG perspectives. In the case of any incident or breach or anomalies, such matters are reported to appropriate committees (i.e. Compliance and Risk Committee).

The Risk & Compliance department is independent of the managers and reports directly to the Chairman of ODDO BHF Asset Management SAS. The Compliance function also checks and controls compliance with this Responsible Investment policy as part of the Annual Control Plan. Controls are organized at two independent levels:

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

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

To find out more about our policy on integrating sustainability risks into the decision-making process, please refer to: <https://pa.oddo-bhf.com/fr/ResponsibleInvestment>

2. Sustainability risks

- › **Regulatory risk:** Our model captures the regulatory risks of the companies under a double materiality approach, i.e., how the company’s practices fit into the regulatory framework, how the company is positioned to anticipate regulatory changes and how stringent the regulation is expected.
- › **Operational risks:** Here we assess the operational risks and the way the companies manage it.
- › **Strategic risks:** They are mostly appraised through the quality of the governance, the executive committee in place but they also include for example the current situation of the labor market (saturation, disfunctions, etc.).
- › **Risks linked to controversies:** Controversy tracking helps us to assess companies’ exposure to risks.. In our model, controversies are reviewed on the three pillars, E, S, and G and a penalty is applied to each sub-score according to the severity and frequency of the controversies.
- › **Transition risks:** Transition risks are potential financial impacts, whether positive or negative, resulting from the impact of transforming business models towards a low carbon economy.
- › **Physical risks:** Physical risks are directly linked to the consequences of climate change. 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 (France)

Portfolio management company approved by the Autorité des Markets Financiers under GP 99011.

Société par actions simplifiée with capital of €21,500,000. Trade Register (RCS) 340 902 857

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