

# Environmental and/or social characteristics

Product name: ODDO BHF Algo Sustainable Leaders

Legal Entity Identifier (LEI): 529900IUS5S32WQ63L11

DOES THIS FINANCIAL PRODUCT HAVE A SUSTAINABLE INVESTMENT OBJECTIVE?

●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b>: N/A</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b>: N/A</p>	<p><input checked="" type="checkbox"/> It promotes <b>Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10.0% of sustainable investments.</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics but <b>will not make any sustainable investments</b>.</p>

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



## WHAT ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS ARE PROMOTED BY THIS FINANCIAL PRODUCT?

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

The Fund promotes environmental and social characteristics. This is reflected in the construction and weighting of the portfolio, as well as the Company's internal rating process.

The internal ESG analysis is based on:

**“Best-in-universe”**: Preference is given to the highest-rated issuers, regardless of their size and field of activity.

**“Best effort”**: Promoting progress over time through direct dialogue with issuers.

The following criteria are analysed as part of the internal rating process:

-**Environmental** (climate risk management, energy consumption, water consumption, waste management, environmental certifications, products and services with environmental added value),

-**Social** (human capital - human resources management, diversity of management teams, employee training, health and safety -, management of suppliers, innovation),

-**Governance** (corporate governance - safeguarding the interests of minority shareholders, composition of management bodies, remuneration policy, tax responsibility, corruption risks).

The internal ESG analysis process results in an internal rating scale divided into five levels (5 being the best and 1 the worst): Strong ESG opportunity (5), ESG opportunity (4), neutral ESG risk (3), moderate ESG risk (2) and

high ESG risk (1). Issuers with a high rating of 4 or 5 are favoured. This does not necessarily mean that securities with the lowest score are excluded. Rather, it has an effect on company weighting in the portfolio. For companies with no internal rating, non-financial data provided by an external service provider are used for analysis.

A benchmark index has not been defined to assess whether the environmental and/or social characteristics promoted by the financial product have been attained.

#### WHAT SUSTAINABILITY INDICATORS ARE USED TO MEASURE THE ATTAINMENT OF EACH OF THE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS PROMOTED BY THIS FINANCIAL PRODUCT?

The ESG analysis utilises various characteristics and indicators. The Fund's monthly ESG reporting currently includes the following indicators that demonstrate these have been achieved as follows:

- The portfolio's internal weighted ESG score to assess the overall performance of environmental, social and governance characteristics,
- The internal weighted score to assess the quality of management,
- The Fund's carbon intensity (weighted sum of: CO<sub>2</sub> Scope 1 and Scope 2 emissions divided by the revenue of the relevant company).
- The Fund's share of brown assets (exposure to fossil fuel industries according to MSCI's ESG research),
- The Fund's share of green assets (exposure to green solutions according to MSCI's ESG research).

#### WHAT ARE THE OBJECTIVES OF THE SUSTAINABLE INVESTMENTS THAT THE FINANCIAL PRODUCT PARTIALLY INTENDS TO MAKE AND HOW DOES THE SUSTAINABLE INVESTMENT CONTRIBUTE TO SUCH OBJECTIVES?

1. **Sustainable investments in accordance with the EU Taxonomy:** Contribution to climate change mitigation and adaptation and to the four other environmental objectives of the EU Taxonomy. This contribution is demonstrated by the weighted sum of the returns of each investment in the portfolio that are aligned with the EU Taxonomy and is based on data published by the companies invested in.

2. **Sustainable investments:** Contribution to environmental impact as defined in MSCI ESG Research by the "Sustainable Impact" field in relation to environmental targets. The sustainable impact revenue indicator from MSCI ESG Research measures companies' revenue exposure to environmental themes such as alternative energy, energy efficiency, green building, sustainable water, pollution prevention and control, and sustainable agriculture, but outside of the EU Taxonomy framework. This makes it possible to justify the exposure of economic activities to environmentally sustainable investment objectives that are not aligned with the EU Taxonomy.

#### HOW DO THE SUSTAINABLE INVESTMENTS THAT THE FINANCIAL PRODUCT PARTIALLY INTENDS TO MAKE, NOT CAUSE SIGNIFICANT HARM TO ANY ENVIRONMENTAL OR SOCIAL SUSTAINABLE INVESTMENT OBJECTIVE?

The following approach is defined to be consistent with Article 2(17) of Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector ("SFDR").

- **Sectors excluded from the investment:** ODDO BHF Asset Management's exclusion policy is applied to exclude sectors that have the greatest negative impact on sustainability objectives. Only shares from the STOXX Europe Sustainability Index ex AGTAF are acquired for the Fund. This index does not include any companies from the alcohol, gambling, tobacco, armaments, firearms or adult entertainment industries. The Fund also does not invest in issuers involved in the manufacture and distribution of non-conventional weapons. Furthermore, issuers in controversial business sectors are excluded if they exceed a certain revenue threshold. This threshold is more than 5% of their revenue from the extraction of coal and crude oil or more than 5% from the cultivation and exploration of and services for oil sands and oil shale or more than 10% from power generation or other activities using fossil fuels (excluding gas). Issuers that exceed a certain revenue threshold in the sectors of nuclear power, non-conventional oil and gas in the Arctic (exploration, production and use) and genetically modified organisms (GMOs) are also excluded.

- **Controversies:** The most controversial companies according to MSCI ESG research are classified as unsustainable by the ESG team based on a second review.

- **Consideration of the main adverse impacts:** In order not to materially compromise its sustainability objectives, the fund manager sets control rules (prior to trading) on selected materially detrimental activities: dealing with controversial weapons (0% tolerance), activities that negatively impact biodiversity (0%

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

tolerance), and serious violations of the UN Global Compact principles and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (0% tolerance).

- **Dialogue, engagement and alignment:** Our policy of dialogue, engagement and alignment supports the goal of avoiding significant harm by identifying key risks and making our voices heard to effect change and improvement.

#### HOW HAVE THE INDICATORS FOR ADVERSE IMPACTS ON SUSTAINABILITY FACTORS BEEN TAKEN INTO ACCOUNT?

Regulation (EU) 2020/852 defines specific areas that may have a negative impact (“PAIs”).

The fund manager applies pre-trade rules to three PAIs:

- Exposure to controversial weapons (PAI 14 and 0% tolerance),
- Activities negatively affecting biodiversity-sensitive areas (PAI 7 and 0% tolerance)
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10 and 0% tolerance).

In addition, the Fund Manager refers to other PAIs in its ESG analysis for companies where such information is available but where there are no automatic exclusion criteria. This collection of PAI data is used to determine the fund manager's final ESG rating.

ESG analysis includes monitoring of greenhouse gas emissions (PAI 1), exposure to fossil fuels (PAI 4), share of energy consumption and generation from non-renewable sources (PAI 5), intensity of energy consumption by climate-intensive sectors (PAI 6), the lack of processes and compliance mechanisms to monitor adherence to the UN Global Compact and the OECD Guidelines for Multinational Enterprises (PAI 11), the unadjusted gender pay gap (PAI 12) and gender diversity in governance bodies (PAI 13). The fund manager also refers to two additional PAIs: Deforestation (additional PAI 15) and lack of human rights policies (additional PAI 9). In the event that the Fund invests in sovereign bonds, the fund manager's ESG model incorporates the two main PAIs into its ESG analysis: Greenhouse gas emission intensity (PAI 15) and countries invested in that breach social regulations (PAI 16).

Further information on the integration of PAIs can be found at [am.oddo-bhf.com](http://am.oddo-bhf.com).

#### HOW ARE THE SUSTAINABLE INVESTMENTS ALIGNED WITH THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES AND THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS? DETAILS:

The Company ensures that the Fund's sustainable investments are aligned by applying the UN Global Compact (UNGC) exclusion list as described in the Company's exclusion policy. Proven breaches of the OECD Guidelines for Multinational Enterprises and/or the United Nations Guiding Principles on Business and Human Rights also result in exclusion.

*The EU Taxonomy sets out a “do no significant harm” principle, by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

**The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.**

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



#### DOES THIS FINANCIAL PRODUCT CONSIDER PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS?

Yes, in accordance with the provisions of Article 8 and Article 6 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”), the Fund Manager takes into account sustainability risks by integrating ESG (environmental and/or social and/or governance) criteria into its investment decision-making process. This process also makes it possible to assess the management team’s ability to manage the adverse impacts of their

business activities on sustainability factors. The fund manager considers principal adverse impacts either via pre-trade exclusions or through the integration of ESG ratings, which reflect sustainability risks based on a number of criteria including data on principal adverse impacts.

Information on principal adverse impacts on sustainability factors is available in the Annual Report pursuant to Article 11(2) of the SFDR.

No



## WHAT INVESTMENT STRATEGY DOES THIS FINANCIAL PRODUCT FOLLOW?

The aim of investing in the Fund is to obtain a sustainable return from the income and capital growth of investments in securities while minimising the economic risks. The Fund invests in European equities. Against this backdrop, the Fund's general investment universe is the STOXX Europe 600. As part of the investment process, the investment universe is restricted to the STOXX Europe Sustainability Index ex AGTAFA. This means that the equities added to the Fund must come exclusively from this index. At least 90% of Fund assets are invested in equities that belong to this index. The STOXX Europe Sustainability Index ex AGTAFA does not include companies from the alcohol, gambling, tobacco, armaments, firearms or adult entertainment industries. Sustainability risks are incorporated into its investment process by taking into account both the ESG (environmental, social and governance) characteristics of investment decisions and any principal adverse impacts that investment decisions may have on sustainability factors. The Company observes the United Nations Principles for Responsible Investment (UN PRI) with respect to environmental, social, and governance issues, and applies them in its commitments by exercising voting rights, actively exercising shareholder and creditor rights, and by engaging in dialogue with issuers. Issuers that manufacture or distribute non-conventional weapons are excluded. In addition, issuers in the following sectors are excluded if they generate more than 5% of their revenue from the extraction of coal and crude oil or more than 5% from the cultivation and exploration of and services for oil sands and oil shale or more than 10% from power generation or other activities using fossil fuels (excluding gas). Issuers that exceed a certain revenue threshold in the sectors of nuclear power, non-conventional oil and gas in the Arctic (exploration, production and use) and GMOs (genetically modified organisms) are also excluded. Companies that significantly violate the principles of the UN Global Compact are also excluded. Equities are rated on the basis of ESG research and using a trend-following model. This model uses extensive historical data to analyse trends and send buy and sell signals. The portfolio composition process involves optimising ESG and risk management by applying various constraints in terms of ESG valuation, beta, sector/country concentration, tracking error and turnover rate of the final portfolio. The equities identified by the trend-following model are subject to an internal ESG rating system that is based on proprietary analyses and external databases. This additional rating system does not necessarily mean that the securities with the lowest score are sold, but it does influence company weighting and results in an exclusion of at least 20% of the investment universe for the Fund. At least 90% of the assets (excluding bank deposits) in the portfolio have – taking into account the weighting of the individual assets – an ESG rating. Target funds with an ESG rating at fund level are also considered. The approach for adopting ESG criteria combines the “best-in-universe” and “best-in-effort” approaches and thus encourages the development and improvement of best practices. For example, the following criteria are analysed: Environment (energy consumption, water consumption, waste management, environmental certifications, products and services with added environmental value, climate risk management, etc.), social (human resources/staff management, management team diversity, staff training, health and safety, etc., supplier management, innovation, etc.), governance (corporate governance, safeguarding the interests of minority shareholders, composition of governing bodies, remuneration policy, etc., tax responsibility, corruption risks, etc.). Furthermore, the portfolio is actively monitored with regard to controversial topics (human rights, corruption, etc.).

All direct investments acquired for the Fund are subject to the minimum exclusions applicable to the Fund, which guarantee a minimum level of environmental or social safeguards. However, there is no look-through for individual financial instruments (no look-through at the assets of a target fund or certificates).

## WHAT ARE THE BINDING ELEMENTS OF THE INVESTMENT STRATEGY USED TO SELECT INVESTMENTS TO ATTAIN EACH OF THE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS PROMOTED BY THIS FINANCIAL PRODUCT?

The binding elements of the investment strategy ensure that investments correspond to the environmental and/or social characteristics promoted. The binding elements are:

- At least 90% of the Fund's assets are invested in equities that belong to the STOXX Europe Sustainability ex AGTFA index (which does not include any companies from the alcohol, gambling, tobacco, armaments, firearms or adult entertainment industries).
- Sector exclusions
- UN Global Compact (exclusion of companies that significantly violate the principles of the UNGC),
- Combination of the best-in-universe and best-efforts approaches,
- An internal rating system that influences company weightings and results in the exclusion of at least 20% of the investment universe of the Fund.
- At least 90% of the assets (excluding bank deposits) in the portfolio have – taking into account the weighting of the individual assets – an ESG rating.

Details about the Company's exclusion policy and exclusion thresholds, as well as the Fund's European SRI Transparency Code, which provides further details about ESG integration, exclusions and exclusion thresholds, can be found at: [am.oddo-bhf.com](http://am.oddo-bhf.com).

## WHAT IS THE COMMITTED MINIMUM RATE TO REDUCE THE SCOPE OF THE INVESTMENTS CONSIDERED PRIOR TO THE APPLICATION OF THAT INVESTMENT STRATEGY?

The fund manager takes into account non-financial criteria by applying a selectivity approach that results in at least 20% of the Fund's investment universe being excluded within the framework of ESG analysis. The above approach reduces the size of the investments based on the applicable sector exclusions and on the ESG ratings assigned to the eligible issuers.

## WHAT IS THE POLICY TO ASSESS GOOD GOVERNANCE PRACTICES OF THE INVESTEE COMPANIES?

The ODDO BHF Asset Management Global Responsible Investment Policy sets out our definition and assessment of good corporate governance and is published on the "[am.oddo-bhf.com](http://am.oddo-bhf.com)" website.



## WHAT IS THE ASSET ALLOCATION PLANNED FOR THIS FINANCIAL PRODUCT?

At least 80% of the Fund's net asset value is aligned with environmental and/or social characteristics. The Fund may also hold up to 20% of its net asset value in "Other", as defined below, which includes the remaining investments of the Fund which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

At least 10% of the Fund's net asset value is invested in sustainable investments. The Fund may also hold assets aligned with the environmental or social characteristics that do not qualify as sustainable investments.

At least 0.5% of the Fund's net asset value is invested in Taxonomy-aligned investments. There is no minimum commitment for other environmental or social investments.

- At least 90% of the assets (excluding bank deposits) in the portfolio have – taking into account the weighting of the individual assets – an ESG rating. Target funds with an ESG rating at fund level are also considered.

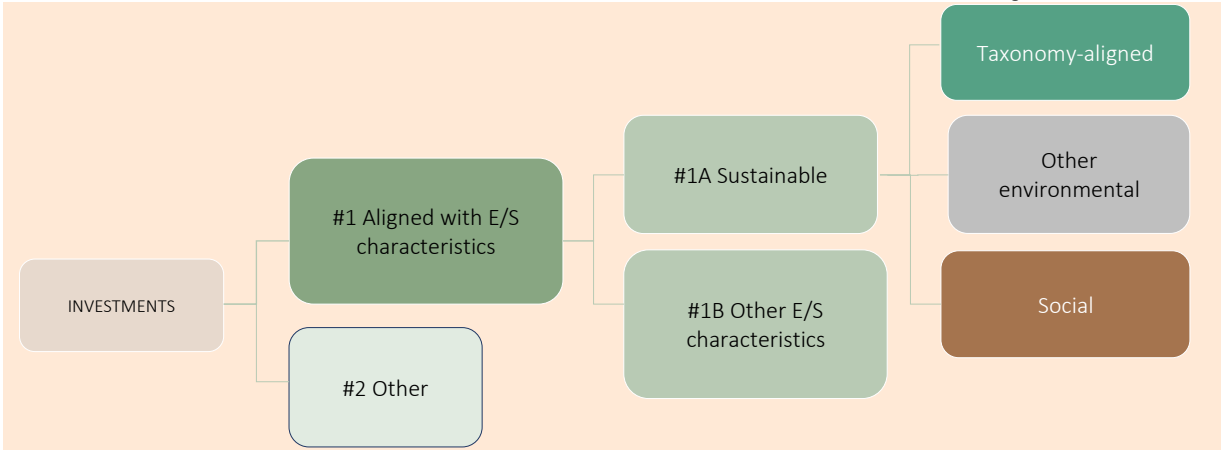
**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- turnover** reflecting the share of revenue from green activities of investee companies.
- capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- operational expenditure** (OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.

The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

**HOW DOES THE USE OF DERIVATIVES ATTAIN THE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS PROMOTED BY THE FINANCIAL PRODUCT?**

Derivatives are not actively used to improve ESG alignment or reduce ESG risk.

 **TO WHAT MINIMUM EXTENT ARE SUSTAINABLE INVESTMENTS WITH AN ENVIRONMENTAL OBJECTIVE ALIGNED WITH THE EU TAXONOMY?**

Taxonomy-aligned investments include debt and/or equity investments in environmentally sustainable economic activities aligned with the EU Taxonomy. At least 0.5% of the Fund’s net asset value is invested in Taxonomy-aligned investments. Data on Taxonomy alignment is provided by an external data provider; it is not certified by an auditor or verified by a third party. Currently, there is no method to determine the share of Taxonomy-aligned investments for government bonds. Therefore, no data are available on this.

**DOES THE FINANCIAL PRODUCT INVEST IN FOSSIL GAS AND/OR NUCLEAR ENERGY RELATED ACTIVITIES THAT COMPLY WITH THE EU TAXONOMY<sup>1</sup>?**

- Yes
  - In fossil gas
  - In nuclear energy
- No

The Fund Manager analyses portfolio positions based on ESG criteria. Investments in nuclear energy are excluded for the Fund if a certain turnover threshold is exceeded. Investments in fossil gas are not excluded. A minimum proportion of Taxonomy-aligned activities connected with fossil gases is not intended for the Fund.

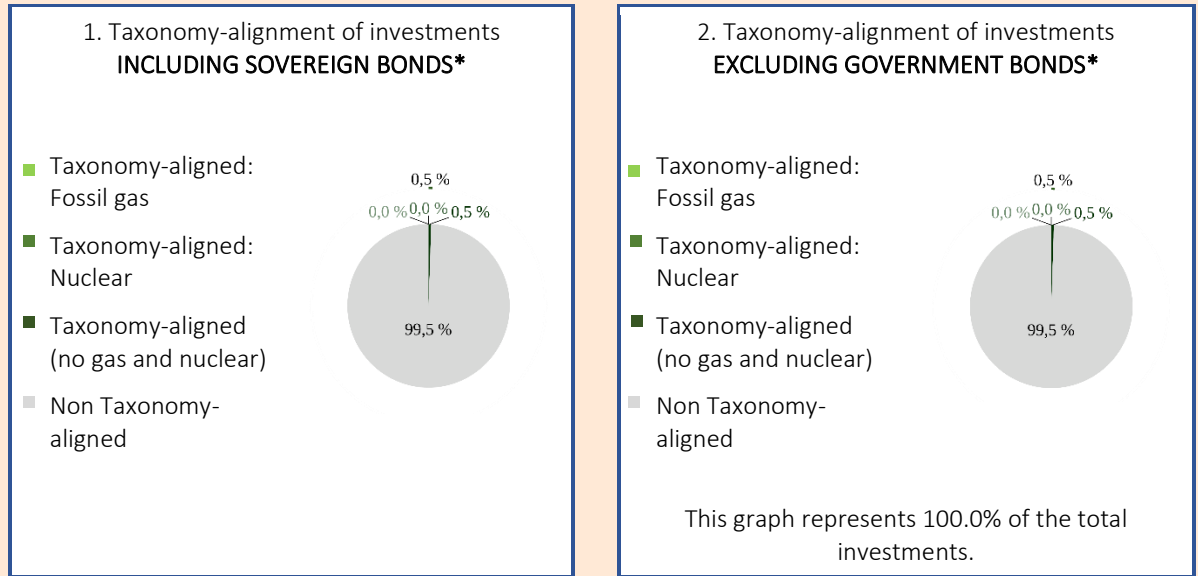
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for economic activities in the field of fossil gas and nuclear energy which are aligned with the EU Taxonomy are defined in Commission Delegated Regulation (EU) 2022/1214

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

### WHAT IS THE MINIMUM SHARE OF INVESTMENTS IN TRANSITIONAL AND ENABLING ACTIVITIES?

There is no minimum share of investments in transitional and enabling activities but the Fund may hold such investments.

### WHAT IS THE MINIMUM SHARE OF SUSTAINABLE INVESTMENTS WITH AN ENVIRONMENTAL OBJECTIVE THAT ARE NOT ALIGNED WITH THE EU TAXONOMY?

Sustainable investments are made by the Fund. However, there is no minimum share for sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.

### WHAT IS THE MINIMUM SHARE OF SOCIALLY SUSTAINABLE INVESTMENTS?

There is no minimum percentage of sustainable investments with a social objective, but the Fund may have investments with a social objective.

### WHICH INVESTMENTS ARE INCLUDED UNDER “#2 OTHER”, WHAT IS THEIR PURPOSE AND ARE THERE ANY MINIMUM ENVIRONMENTAL OR SOCIAL SAFEGUARDS?

The investments included in “#2 Other” are cash, derivatives, securities, target funds and other investments for which ESG data and ratings are not available. All direct investments acquired for the Fund are subject to the minimum exclusions applicable to the Fund, which guarantee a minimum level of environmental or social safeguards. However, there is no look-through for the assets of a target fund or certificates.

### IS A SPECIFIC INDEX DESIGNATED AS A REFERENCE BENCHMARK TO DETERMINE WHETHER THIS FINANCIAL PRODUCT IS ALIGNED WITH THE ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS THAT IT PROMOTES?

The fund has not been designated a specific index to use as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics it promotes.



Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

HOW IS THE REFERENCE BENCHMARK CONTINUOUSLY ALIGNED WITH EACH OF THE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS PROMOTED BY THE FINANCIAL PRODUCT?

See above.

HOW IS THE ALIGNMENT OF THE INVESTMENT STRATEGY WITH THE METHODOLOGY OF THE INDEX ENSURED ON A CONTINUOUS BASIS?

See above.

HOW DOES THE DESIGNATED INDEX DIFFER FROM A RELEVANT BROAD MARKET INDEX?

See above.

WHERE CAN THE METHODOLOGY USED FOR THE CALCULATION OF THE DESIGNATED INDEX BE FOUND?

See above.



WHERE CAN I FIND MORE PRODUCT SPECIFIC INFORMATION ONLINE?

Further product-specific information is available at: [am.oddo-bhf.com](https://am.oddo-bhf.com)