



# ODDO BHF Private Equity ESG charter

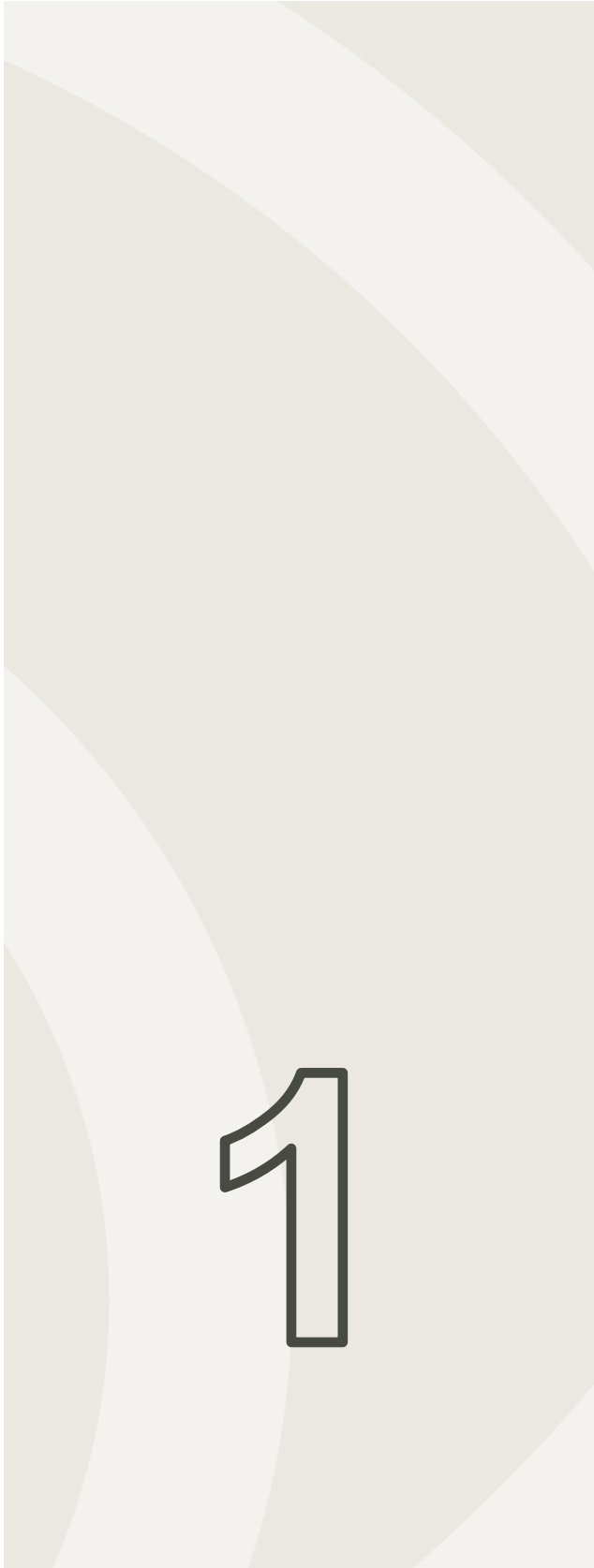
DECEMBER 2019



ODDO BHF Private Equity commitment to integrating ESG factors throughout its investment cycle is fully aligned with ODDO BHF AM's history and principles. ODDO BHF AM is an investment management firm and the subsidiary of an independent private bank whose origins date back to 1849 and that has stable long-term shareholders, including the Oddo family (60%), its employees (30%) and other institutional investors (10%). This long history has made corporate social responsibility (CSR) standards an integral part of its DNA. The ESG integration approach is based on the Principles for Responsible Investment (PRI) signed by ODDO BHF Asset Management SAS in 2010 and ODDO BHF Private Equity in 2014. The Principles for Responsible Investment of the United Nations applied by Invest Europe and France Invest recommendations related to ESG are in compliance with our asset management approach, which is based on a thorough analysis and a long-term investment horizon in order to better address risks and opportunities.

## Agenda

<b>1. Primary fund of funds</b>	<b>2</b>
a. Pre-investment	3
b. Monitoring	3
<b>2. Secondary</b>	<b>4</b>
a. Pre-investment	5
b. Monitoring	5
<b>3. Direct co-investment</b>	<b>6</b>
a. Pre-investment	7
b. Monitoring	7



# Primary fund of funds



## **a. Pre-investment**

ODDO BHF Private Equity investment process for commitments in private equity funds integrates the ESG assessment of (i) its primary partnership managers and their attentiveness to ESG concerns, and (ii) their current investments through the following actions:

- Review of the manager's ESG policy throughout its fundraising documents and due diligence interviews with the manager's team. If there is not an existing ESG policy, we highlight the importance of ESG, encourage the manager to put in place a formal policy and process when possible;
- Review of the manager's annual ESG reports, PRI report, or any relevant ESG related report;
- If additional information is required, the submission of an ODDO BHF Private Equity ESG questionnaire to the manager, to understand and address ESG issues;
- Negotiation of ESG-related provisions through side letters prior to the commitment of ODDO BHF Private Equity managed fund.

ODDO BHF Private Equity Investment Memorandum encompasses the findings and conclusions of the ESG review during the due diligence process.

## **b. Monitoring**

ODDO BHF Private Equity commits to send an ESG questionnaire to the fund managers of its private equity portfolio every year. All the questionnaires filled out by the fund manager provide the relevant data to monitor and review the application of ESG principles across its primary private equity portfolio.

ODDO BHF Private Equity aggregate this data and present the findings to the ESG Committee which will review and discuss these elements. If there are ESG issues that need to be addressed, the ESG Committee will reach out to the managers to get a clear action plan to fix them.

Based on the collected data and the minutes of the ESG Committee, ODDO BHF Private Equity will produce an annual ESG report to its investors.

# Secondary

A large, stylized outline number '2' is centered within a vertical rectangular area. The background of this area consists of several overlapping, semi-transparent, light-colored curved shapes that create a layered, abstract effect.



## **a. Pre-investment**

ODDO BHF Private Equity investment process for secondary transactions similarly integrates the ESG assessment on the underlying managers in each deal to gauge their overall ESG commitment. Due to the limited access to the manager, and, thus lack of available information during the secondary due diligence process, ODDO BHF Private Equity investment team will combine its historic proprietary ESG assessment of the managers and conduct an internet search to evaluate each manager's and portfolio's potential ESG concerns.

For direct secondary deals, the nature of these transactions gives ODDO BHF Private Equity more influence over limited partnership agreement negotiations, and the development and implementation of a manager's ESG policy.

ODDO BHF Private Equity Investment Memorandum encompasses the findings and conclusions of the ESG review during the due diligence process.

## **b. Monitoring**

Once the secondary transaction is completed, ODDO BHF Private Equity collects and reviews the ESG policy and report (if any) of the manager. Then it commits to send an ESG questionnaire to the partnership managers of its portfolio every year. All the questionnaires filled out by the fund manager provide the relevant data to monitor and review the application of ESG principles across its secondary private equity portfolio.

ODDO BHF Private Equity aggregates this data and presents the findings to the ESG Committee which will review and discuss these elements. If there are ESG issues that need to be addressed, the ESG Committee will reach out to the managers to get a clear action plan to fix them.

Based on the collected data and the minutes of the ESG Committee, ODDO BHF Private Equity will produce an annual ESG report to its investors.



## Direct co-investment



## **a. Pre-investment**

ODDO BHF Private Equity investment process for direct co-investments integrates ESG assessment at the fund manager level and at the company level.

As a co-investor and minority shareholder, ODDO BHF Private Equity has limited influence on the post-investment activities of the portfolio company and rely on the fund manager for many aspects of the deal, including managing ESG. The fund manager leading a direct co-investment is assessed following the review of its ESG policy and any relevant ESG related report, and whether it has dedicated ESG resources. The assessment provides a view into how the fund manager would approach advising the portfolio company on ESG risks, offering insight into governance between him and the company during the life of the investment.

At the company level, direct co-investment opportunities are evaluated across third-party diligence reports (ESG vendor due diligence, ESG audit, etc.) which the fund manager commissions to profile the ESG status of the company, and an interview of the company management (if available). ODDO BHF Private Equity deal team reviews the ESG aspects of deal opportunities to determine if there are red flags that would preclude ODDO BHF Private Equity from proceeding. Trouble signs could include participation in any illicit sectors or industries, lack of alignment between major investors or weak governance controls. Any concerns uncovered during the investment process are included in further due diligence reports. The legal documentation (SPA, shareholder agreement, SPV LPA) at closing of the transaction should reflect the ESG policy of the fund manager. ODDO BHF Private Equity will also use its reasonable efforts to negotiate ESG-related provisions in the LPA or through side-letters, notably regarding ESG information rights, prior to the commitment of ODDO BHF Private Equity managed fund.

ODDO BHF Private Equity Investment Memorandum encompasses the findings and conclusions of the ESG review during the due diligence process.

## **b. Monitoring**

After the completion of the direct co-investment, ODDO BHF Private Equity team continues to monitor the ESG status of the companies in which it has co-invested. The direct co-investment monitoring process for ESG is comprised of two main updates: the fund manager's ESG profile and a company-specific ESG review.

At the company level, ODDO BHF Private Equity team collects and aggregates the data provided by the fund manager, and present the findings to the ESG Committee which will review and discuss these elements. To the extent there are any ESG issue(s) with a portfolio company that appear post-investment, the ESG Committee will work with the fund manager to understand and address the issue(s) through a clear action plan.

Based on the collected data and the minutes of the ESG Committee, ODDO BHF Private Equity will produce an annual ESG report to its investors.

#### **ODDO BHF Asset Management SAS (France)**

Portfolio management company approved by the Autorité des Marchés Financiers under GP 99011.  
*Société par actions simplifiée* with capital of €9,500,000. Trade Register (RCS) 340 902 857 Paris.  
12 boulevard de la Madeleine – 75440 Paris Cedex 09 France – Phone : 33 (0)1 44 51 85 00

#### **ODDO BHF Private Equity (France)**

*Société par actions simplifiée* with a capital of € 200,000  
12 boulevard de la Madeleine • 75440 PARIS Cedex 09 France • 392 122 370 RCS PARIS

#### **Disclaimer**

This document has been drawn up by ODDO BHF PRIVATE EQUITY for all market communication. Its investor communication is the responsibility of each promoter, distributor or advisor. Potential investors are invited to consult an investment advisor before investing in a strategy. Investor's attention is drawn to the fact that all strategies are not authorized in every country. Should they decide to invest, investors are invited to acquaint themselves with the detailed nature of any risks incurred, in particular the risk of capital loss. The value of the investment may vary both upwards and downwards and may not be returned in full. The investment must be made in accordance with investors' investment objectives, their investment horizon and their capacity to deal with the risk arising from the transaction. ODDO BHF PRIVATE EQUITY cannot be held responsible for any direct or indirect damages resulting from the use of this document or the information contained in it. This information is provided for indicative purposes and may be modified at any moment without prior notice. Investors are reminded that past performance is not a reliable indication of future returns and is not constant over time. Any opinions presented in this document result from our market forecasts on the publication date. They are subject to change according to market conditions and ODDO BHF PRIVATE EQUITY shall not in any case be held contractually liable for them.