



ODDO BHF
ASSET MANAGEMENT

PAI Statement

Article 4 SFDR

METROPOLE Gestion

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PAI Statement (article 4 SFDR)

1. Summary and regulatory context

ODDO BHF AM is the asset management division of the ODDO BHF Group. It is the common brand of four legally separate asset management companies: ODDO BHF AM SAS (France), ODDO BHF AM GmbH (Germany), ODDO BHF AM Lux (Luxembourg) and METROPOLE GESTION (France). In accordance with the Regulation 2019/2088 of 27 November 2019 (“SFDR”) and more particularly article 4 SFDR, the management company METROPOLE Gestion publishes on its website how it considers the principal adverse impacts of investment decisions on sustainability factors and its strategy for due diligence in relation to these impacts.

2. Principal adverse impact definition

The Sustainable Finance Disclosure Regulation (SFDR) is one of the cornerstones of the European Union’s strategy to promote sustainable finance and to contribute to the ecological transition as well as the fight against global warming.

One of the key aspects of the SFDR regulation is the potential consideration of principal adverse impacts (PAI) of investment decisions on sustainability factors (environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters)¹. According to the article 4 SFDR, financial market participants should explain how they consider PAI (or explain why they do not) through their existing policies. PAI are defined as follows: “Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity.”²

Under SFDR, METROPOLE Gestion considers some core and additional indicators on environmental (e.g. carbon emissions, fossil fuels exposure), social (e.g. board gender diversity) and governance (e.g. UN Global compact violations, exposure to controversial weapons) factors in the management process of our funds. These indicators offer a good overview of our funds’ adverse impacts profile.

¹ 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

² *Ibid*

3. Description of policies to identify and prioritize principal adverse sustainability impacts

The data availability around the PAI indicators is highly dependent on companies' sustainability disclosures across the world. Those are nevertheless far from being harmonized and standardized today. The difficulty to get green house gases (GHG) Scope 3 emissions³ computed with a common approach is a case in point. Given the fact that the PAI consideration implies a growing access to sustainability indicators data, it is necessary to rely on audited, standardized and comparable data. This is the goal of the Corporate Sustainability Reporting Directive (CSRD) update proposed by the European Commission.

Despite the current difficult access to data, METROPOLE Gestion already identified and prioritized the PAI indicators to be considered at entity level. Our goal is to select the PAI where the data coverage is high for our funds and benchmarks to ensure comparability over time, but also the PAI that are the most material or likely to be material on the sustainability factors following our investment decisions. Though coverage still has to be improved going forward, this already provides a representative and accurate view of our funds' impact.

We also determined two approaches of considering the PAI: one that relies on pre-trade controls through pertinent rules, and one ensuring the consideration through our internal ESG rating system, as well as dialogue, engagement and voting. For example, some PAI indicators are controlled in pre-trade with a 0% tolerance for the exposure to controversial weapons (PAI 14), the exposure to companies that violate the UNGC and/or the OECD guidelines for Multi-National Enterprises (PAI 10) or the activities negatively affecting biodiversity sensitive areas (PAI 7). We decided to define these pre-trade rules because we are comfortable with the data we are using in terms of reliability and quality. For the other PAI, the margin of error is such that we cannot, at this stage, commit to specific controlling rules based on consistent thresholds.

The control of the 3 aforementioned PAI indicators is operational thanks to the definition, application and control of exclusion lists into our controlling systems. More details can be found in the common base of exclusion of ODDO BHF Asset Management exclusion policy that METROPOLE Gestion complies with: https://am.oddo-bhf.com/france/fr/investisseur_professionnel/ad/investissement_durable/1339/approche/1343

The consideration of PAI indicators through our internal rating methodology happens through the assessment of specific environmental, social and governance criteria thanks to the PAI indicators. For example, our internal ESG methodology integrates the carbon risk assessment through the evolution of the Scope 1 and 2 for each company that is rated. It also looks at the gender diversity at the board and management level when analysing the diversity criterion. The PAI result will therefore have an impact on the final ESG rating of the company. More details on the PAI integration in our internal ESG

³ Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain (use of products sold, employees commuting, purchased goods and services etc.).



methodology for corporates are available in our Global Responsible Investment Policy: https://am.oddobhf.com/france/en/professional_investor/ad/sustainable_investment/1339/publication/1380

The following table summarizes our approach to consider the PAI⁴:

1) Consideration of the PAI with exclusion lists (negative screening)

| | | Principal adverse impact (PAI) | Funds considering PAI | Consideration approach | Source of the data |
|------------------------|-----------------------------|--|------------------------------|---|---------------------------|
| Core indicators | Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | | Negative screening (exclusion), ESG Analysis, dialogue and engagement | Internal exclusion list |
| | Social and employee matters | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | | Negative screening (exclusion), ESG Analysis, dialogue and engagement | Internal exclusion list |
| | | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | | Negative screening (exclusion), ESG Analysis, dialogue and engagement | Internal exclusion list |

⁴ PAI are not considered for funds of funds investment products and private equity funds

2) Consideration of PAI through the internal ESG rating process, dialogue, engagement and voting

| | | Principal adverse impact (PAI) | Funds considering PAI | Consideration approach | Source of the data | |
|------------------------|--------------------------|---|--|---------------------------------------|---------------------------------------|-----------|
| Core indicators | Greenhouse gas emissions | 1. GHG emissions Scope 1 and 2 | | ESG Analysis, dialogue and engagement | Refinitiv | |
| | | 1. GHG emissions Scope 3 | | ESG Analysis, dialogue and engagement | Refinitiv | |
| | | 2. Carbon footprint | | ESG Analysis, dialogue and engagement | Refinitiv | |
| | | 3. GHG intensity of investee companies (Scope 1 and 2) | | ESG Analysis, dialogue and engagement | Refinitiv | |
| | | 4. Exposure to companies active in the fossil fuel sector | | ESG Analysis, dialogue and engagement | Refinitiv | |
| | | 5. Share of non-renewable energy consumption and production | | ESG Analysis, dialogue and engagement | Refinitiv | |
| | | | 6. Energy consumption intensity per high impact climate sector | | ESG Analysis, dialogue and engagement | Refinitiv |
| | Water | 8. Emissions to water | | ESG Analysis, dialogue and engagement | Refinitiv | |
| | Waste | 9. Hazardous waste and radioactive waste ratio | | ESG Analysis, dialogue and engagement | Refinitiv | |



| | | | | | |
|------------------------------|-------------------------------------|---|--|---------------------------------------|-----------|
| | Social and employee matters | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | | ESG Analysis, dialogue and engagement | Bloomberg |
| | | 12. Unadjusted gender pay gap | | ESG Analysis, dialogue and engagement | Refinitiv |
| | | 13. Board gender diversity | | ESG Analysis, dialogue and engagement | Refinitiv |
| Additional indicators | | | | | |
| | | 15. GHG intensity | | | Refinitiv |
| | | 16. Investee countries subject to social violations | | | Refinitiv |
| Additional indicators | | | | | |
| | Human rights | 9. Lack of a human rights policy | | ESG Analysis, dialogue and engagement | Refinitiv |
| | Emissions | 4. Investments in companies without carbon emission reduction initiatives | | ESG Analysis, dialogue and engagement | Refinitiv |
| | Water, waste and material emissions | 15. Deforestation policy | | ESG Analysis, dialogue and engagement | Refinitiv |

PAI considered in the ESG rating process when the data is the available, dialogue and engagement



PAI considered in the ESG rating process and with specific thresholds in pre-trade controls

4. PAI results at entity level

| Indicators applicable to investments in investee companies | | | | | |
|--|--|------------------------------|------------------|------------------|---|
| Adverse sustainability indicator | | Metric | Impact year 2022 | Impact year 2021 | Actions taken, and actions planned and targets set for the next reference period |
| Greenhouse gas emissions | 1. GHG emissions | Scope 1 GHG emissions | 54 701 | Not computed | We are currently assessing whether it is possible to measure our funds induced temperature considering companies' own actions plans to reduce their emissions. We have already determined in the ODDO BHF Asset Management policy exclusions related to the coal, unconventional oil and gas activities and oil and gas activities in the Arctic region. |
| | | Scope 2 GHG emissions | 10 238 | Not computed | |
| | | Scope 3 GHG emissions | 813 676 | Not computed | |
| | | Total GHG emissions | 878 615 | Not computed | |
| | 2. Carbon footprint | | 2 111.73 | Not computed | |
| | 3. GHG intensity of investee companies (Scope 1 and 2) | | 2 217.39 | Not computed | |
| | 4. Exposure to companies active in the fossil fuel sector | | 14.99 | Not computed | |
| | 5. Share of non-renewable energy consumption and production | | 75.44 | Not computed | |
| | 6. Energy consumption intensity per high impact climate sector | Energy consumption intensity | 0.82 | Not computed | |
| | Energy consumption intensity per | NA | Not computed | | |



| | | | | | |
|---------------------|---|---|-----|--------------|--|
| | | high impact climate sector A | | | |
| | | Energy consumption intensity per high impact climate sector B | NA | Not computed | |
| | | Energy consumption intensity per high impact climate sector C | NA | Not computed | |
| | | Energy consumption intensity per high impact climate sector D | NA | Not computed | |
| | | Energy consumption intensity per high impact climate sector E | NA | Not computed | |
| | | Energy consumption intensity per high impact climate sector F | NA | Not computed | |
| | | Energy consumption intensity per high impact climate sector G | NA | Not computed | |
| | | Energy consumption intensity per high impact climate sector H | NA | Not computed | |
| | | Energy consumption intensity per high impact climate sector L | NA | Not computed | |
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | | 0.0 | Not computed | The ODDO BHF Exclusion policy integrates an exclusion of companies with strong adverse impacts on biodiversity. This exclusion list is defined internally. |

| | | | | | |
|------------------------------------|---|--|-------|--------------|--|
| Water | 8. Emissions to water | | 13.33 | Not computed | |
| Waste | 9. Hazardous waste and radioactive waste ratio | | 1.56 | Not computed | |
| Social and employee matters | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guide-lines for Multinational Enterprises | | 0 | Not computed | The ODDO BHF Exclusion policy integrates an exclusion of companies with strong violations of the UNGC principles. This exclusion list is defined internally. |
| | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | | 15.56 | Not computed | |
| | 12. Unadjusted gender pay gap | | 5.18 | Not computed | |
| | 13. Board gender diversity | | 40.92 | Not computed | Already used as an indicator to outperform in the context of the French SRI Label. |
| | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | | 0 | Not computed | ODDO BHF Asset Management exclusion policy integrates the exclusion of controversial weapons. |
| Additional indicators | | | | | |



| | | | | | |
|-------------|----------------------------------|--|-------|--------------|--|
| Social | 9. Lack of a human rights policy | | 0 | Not computed | |
| Environment | 15. Deforestation policy | | 75.13 | Not computed | |

5. Engagement policies

METROPOLE Gestion believes that an active ownership strategy based on dialogue, engagement and voting is necessary to drive positive impact on sustainability and financial results. We have strengthened in recent months our approach to integrate more sustainability into our active ownership policy by multiplying engagement processes and relying on ISS Custom Climate Model to enrich our voting activity. For example, we had numerous individual and collective engagements with companies on their CO₂ reduction strategy, and invited them to more transparency by integrating Scope 3 emissions. Our voting, dialogue and engagement policy and results are available here for more details: https://am.oddo-bhf.com/france/en/non_professional_investor/infos_reglementaire_Metropole.

6. Reference to international standards

METROPOLE Gestion is active in the sustainable finance community to drive collectively change and impact in terms of methodologies, engagement, regulation and transparency. METROPOLE Gestion is a CDP signatory and as such takes part to collective engagement campaigns (Non-Disclosure campaign, CDP SBTi campaign), is a member of the Climate Action 100+ engaging collectively with Heidelberg Materials, and is an AFG affiliate. Those commitments show that sustainability is considered a strategic and impactful topic.

Through its mother company ODDO BHF Asset Management, METROPOLE Gestion is a signatory of the Principles for Responsible Investment (PRI) and of the UN Global Compact and as such adheres to relevant international standards.

In the next paragraphs, we outline the internationally recognized standards and their link to the Principal Adverse Impacts.

Paris Agreement

Link to the PAI 1 to 6 (green house gas emissions)

As part of ODDO BHF Asset Management, METROPOLE Gestion is committed to contributing the Paris Agreement objectives. We explain on a yearly basis in our Article 29 Report⁵ how we assess climate risks and strive to reduce CO₂ emissions across our biggest investment strategies. Oddo BHF Asset Management updated its exclusion policy to better integrate investment constraints in carbon-intensive activities like unconventional oil and gas and coal. The voting, dialogue and engagement approach have also laid great emphasis on climate objectives as our yearly report shows. The report is available on the following link:

https://am.oddo-bhf.com/france/en/non_professional_investor/infos_reglementaire_Metropole.

⁵ The article 29 of the French law n°2019-1147 (Energy-Climate Law - known as “LEC”)



METROPOLE Gestion is also a TCFD supporter. The TCFD issues recommendations to increase climate-related disclosures from companies for investors to make better informed capital allocation decisions.

UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights

[Link to the PAI 10 and 11 \(Social and employee matters\)](#)

As part of the ODDO BHF Asset Management, METROPOLE GESTION is a signatory of the UNGC. We are therefore responsible for ensuring that our investments respect the principles to which we adhere. We therefore comply with ODDO BHF Asset Management's exclusion list to control that companies we invest in respect the ten principles of the UNGC. This exclusion list applies to all our funds whatever their SFDR classification.

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