



**ODDO BHF**  
ASSET MANAGEMENT

# *Exclusion Policy*

AUGUST 2024

ODDO BHF Asset Management (ODDO BHF AM) has been a signatory to the UN Principles for Responsible Investment (UN PRI) since 2010. Our approach to sustainable investing is based on our long-term oriented investment philosophy. As such, we ensure that environmental, social and governance (ESG) criteria are reflected in our issuer research, alongside traditional financial criteria.

In this respect, ODDO BHF Asset Management SAS (France), ODDO BHF Asset Management GmbH (Germany) and ODDO BHF Asset Management Lux (Luxembourg) are operating under the single brand ODDO BHF Asset Management (ODDO BHF AM). We have established an exclusion policy covering a range of controversial activities across sectors and practices that are contrary to major international norms and conventions. Nevertheless, the above-mentioned asset management companies remain independent and autonomous in their management decisions in accordance with the regulations in force.

Depending on their nature, our common base of exclusions applies to all funds open to the public, managed by ODDO BHF AM as management company or delegated to other entities of the ODDO BHF Group. It also applies to Private Assets depending on the investment strategy. However, certain funds open to the public whose management is delegated to or advised by third parties are not affected by these exclusions unless otherwise stated in the prospectus.

These exclusions may also apply to management mandates or dedicated funds, if explicitly named in the relevant prospectus or information memorandum. ODDO BHF AIF PLC managed by ODDO BHF Asset Management SAS is excluded from this policy.

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# 01

## COMMON BASE OF EXCLUSION

Our common base of exclusions applies to all open-ended funds managed by the various legal entities operating under the single brand "ODDO BHF AM": ODDO BHF Asset Management SAS, ODDO BHF Asset Management GmbH and ODDO BHF Asset Management Lux. They also apply to delegated fund managers within the ODDO BHF Group and to Private Assets depending on the investment strategy<sup>1</sup>.

However, funds of funds on listed assets, listed derivative products, and ODDO BHF AIF PLC are excluded.

When managing dedicated funds, third party advised or managed funds or segregated accounts, these exclusions will apply if so stated in the relevant prospectus or information memorandum

### 1.1 COAL

#### Background

The report from the Intergovernmental Panel on Climate Change (IPCC)<sup>2</sup> published in 2018 has reminded us that we need to act in order to be carbon neutral by 2050 if we are to meet the Paris Agreement target and to limit global warming to 1.5°C compared to pre-industrial levels.

In our effort to do so, one of our priorities around which a consensus has now formed is to halt financing thermal coal<sup>3</sup>, which accounts for about 40% of global greenhouse gas emissions. The carbon intensity of electricity generated by thermal coal is more than twice as high as that of natural gas.

As a long-term investor, ODDO BHF AM is aware that continuing to invest in companies active in the mining and production of thermal coal carries increasing risks:

- a regulatory risk, given the increasing number of commitments by many countries to reduce their CO<sub>2</sub> emissions;
- a growing financial risk on asset valuation, as tougher regulation will ultimately make it impossible to exploit proven designated reserves ("stranded assets");
- a reputational risk, given the growing negative social and environmental externalities, which include water and ground pollution, generation of hazardous waste (heavy metals such as chromium, mercury or arsenic), human and labour rights violations, and human health (with more than 12,000 deaths per year in Europe).

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<sup>1</sup> More details on Section 5

<sup>2</sup> Intergovernmental Panel on Climate Change (IPCC), *Special Report on Global Warming of 1.5 °C*

<sup>3</sup> Thermal coal is extracted from mines and is used to generate electricity. It differs from steelmaking coal, which is used for steel production and for which there is currently no economically viable substitute.

## Exclusion criteria

In January 2021, ODDO BHF AM published an updated version of its exclusion policy for companies in the coal sector with a view to contributing to climate neutrality by 2050 and to limiting global warming to a maximum of 1.5 °C, as stipulated in the Paris Climate Agreement.

In line with the recent work of leading authorities on climate issues (IPCC<sup>4</sup>, IEA<sup>5</sup>, UNEP<sup>6</sup>), ODDO BHF AM is guided by the timetable of a complete coal phase-out by 2030 for countries in the European Union and the OECD and by 2040 for the rest of the world.

ODDO BHF AM no longer invests in companies that exceed the following thresholds:

- **Coal mining:** Any company with an annual production in excess of 8 million tonnes or, alternatively, a production equivalent to 5% of its revenues. These thresholds will be lowered to zero by 2030 for EU and OECD countries and by 2040 for the rest of the world.
- **Power generation:** Any company for which coal accounts for more than 20% of its production mix or, alternatively, more than 20% of its installed capacity. These thresholds will be lowered to 15% in 2024, to 10% in 2026, to 5% in 2028 and to 0% in 2030 for EU and OECD countries. In absolute terms, any power company whose installed coal power capacity is greater than 15 GW.
- **Development of new projects:** Any company engaged in coal mining or coal-fired power generation that is developing new projects involving thermal coal, regardless of the project's size. This includes coal infrastructure projects such as port or road developments favouring the development of coal production.

The analysis of the aforementioned companies and thresholds is based on data<sup>7</sup> compiled annually by the non-governmental organisation Urgewald through the Global Coal Exit List, as well as information collected by our extra-financial data provider MSCI ESG Research. Our ESG Investment Forum reserves the right to make its own decisions based on this list and to put certain issuers on a watch list, depending whether their climate commitments are compatible with the Paris Agreement. No exceptions are made for companies developing new thermal coal mining capacities, coal-fired power generation or new coal infrastructures.

## 1.2 UNCONVENTIONAL OIL & GAS

### Background

To comply with the Paris Agreement and the goal of limiting global warming to 1.5°C, it is necessary to reduce the share of fossil fuels in the global energy mix. The explosion of unconventional oil and gas activities (shale oil and gas, oil sands) in the United States since the 2000s has contributed to a significant increase in greenhouse gas emissions, particularly methane. Less known than carbon dioxide (CO<sub>2</sub>), methane warms the earth 80 times more in the first twenty years after it is released into the air according to the Intergovernmental Panel on Climate Change (IPCC). Beyond greenhouse gas emissions, the very nature of these activities is controversial. Fracking is a technique that is still debatable in some countries for its negative impact on local communities (impact of local pollution on people's health) and on the environment (pollution on the surface and incompatibility with the fight against global warming).

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<sup>4</sup> *Intergovernmental Panel on Climate Change (IPCC)*

<sup>5</sup> *International Energy Agency (IEA)*

<sup>6</sup> *United Nations Environment Programme (UNEP)*

<sup>7</sup> *For more details, see the following link: <https://coalexit.org/>*

ODDO BHF AM considers that many unconventional oil and gas activities are not compatible with the goal of reducing global warming as set out in the Paris Agreement. Thus, they represent a significant financial and environmental risk that ODDO BHF AM does not want to bear.

### Exclusion criteria

ODDO BHF AM excludes all companies from the energy sector that generate more than 5 % of their revenues from the extraction and production of unconventional oil and gas. This includes shale oil and gas as well as oil sands.

## 1.3 ARCTIC EXPLORATION

### Background

The Arctic is one of the regions most affected by global warming, which is more pronounced at the poles due to polar amplification<sup>8</sup>. The most recent weather records show that temperatures have been abnormal and have warmed twice as much as in the rest of the world since the mid-1980s<sup>9</sup>. This rapid change in weather conditions has direct implications for biodiversity due to increased forest fires, loss of habitats and species, local populations, ecosystems, and the wider trajectory of global warming. The gradual release of carbon dioxide, nitrous oxide and methane, previously trapped in frozen ground (permafrost), will further add to global greenhouse gas emissions. Therefore, preserving the Arctic is crucial in combatting global warming.

### Exclusion criteria

ODDO BHF AM excludes all companies from the energy sector that generate more than 10 % of their revenues from the extraction and production of (conventional and unconventional) oil and gas in the Arctic. We engage in dialogue with companies undertaking new projects in this region.

## 1.4 TOBACCO

### Background

The tobacco industry causes a significant environmental impact, a fact often overshadowed by stakeholders' focus on health issues. Yet, the impact on the environment is very real. The use of arable land, deforestation, soil erosion and acidification, pollution of waterways, significant consumption of energy and water in countries where these are in short supply are examples of the negative impact of the tobacco industry on the environment. For example, tobacco production in China and Zimbabwe – two of the world's leading producers – contributes to 18% and 15% of national deforestation respectively<sup>10</sup>.

Where cigarette butts end up is also relevant, as it is the most common waste in coastal and urban areas. Around two-thirds of the 6,000 billion filters (i.e. 3,600 billion) produced each year are tossed away outdoors, in nature. These take up to twelve years to vanish and a single cigarette butt can pollute up to 500 liters of water<sup>11</sup>. With

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<sup>8</sup> *Due to melting ice surfaces, solar energy can no longer be reflected, which contributes to the effect of increased warming.*

<sup>9</sup> *World Meteorological Organization (2021)*

<sup>10</sup> *World Health Organization (2017) "Tobacco and its environmental impact".*

<sup>11</sup> *French Ministry for the Ecological Transition*

more than 4,000 harmful substances, about 50 of which are highly toxic, cigarette butts contribute to the spread of hazardous substances in nature. However, application of the “polluter pays” principle, designed to fight against cigarette pollution, is still marginal worldwide. As a result, the cost of managing cigarette waste is still unfairly shared between local authorities and the industry.

All these environmental impacts are contrary to the United Nations Sustainable Development Goals (UN SDGs) dedicated to nature, i.e. Goal 14 on the protection of aquatic life and Goal 15 on the conservation of terrestrial ecosystems. According to the World Health Organization (WHO), tobacco industry financing poses a serious threat to public health and is thus incompatible with Goal 3, which aims to ensure good health and wellbeing for all.

### Exclusion criteria

ODDO BHF AM excludes all companies that generate more than 0% of their revenues from the production of tobacco.

## 1.5 UNCONVENTIONAL WEAPONS

In accordance with international treaties and agreements signed by France and Germany, ODDO BHF AM fully excludes all companies involved in the development, production and distribution of unconventional weapons.

This exclusion concerns :

- Chemical weapons as defined in the Chemical Weapons Convention ratified in Paris in 1993;
- Biological weapons as defined in the Convention on the Prohibition of Biological Weapons negotiated in Geneva in 1972.
- Depleted uranium weapons
- Anti-personnel mines as defined by the Ottawa Convention of 1999;
- Cluster munitions as defined in the Oslo Convention of 2008.
- Blinding laser weapons, incendiary weapons and non-detectable fragments weapons as defined in the amended and supplemented Convention on prohibitions or restrictions on the use of certain conventional weapons which may be deemed to be excessively injurious or to have indiscriminate effects.
- Nuclear weapons manufactured by a company incorporated in a country that does not form part of the Nuclear Non-Proliferation Treaty (NPT).

### Exclusion criteria

ODDO BHF AM excludes all companies that manufacture or distribute weapons prohibited under the above-mentioned international conventions. Companies shall have no activity of manufacturing or of manufacturing tailor-made components, using, repairing, putting up for sale, selling, distributing, importing or exporting, storing or transporting controversial or indiscriminate weapons such as: anti-personnel mines, submunitions, inert ammunition and armour containing depleted uranium or any other industrial uranium, weapons containing white phosphorus, biological, chemical or nuclear weapons.

## 1.6 GOVERNANCE AND INTERNATIONAL NORMS AND CONVENTIONS

### Background

There are numerous international standards dealing with human rights, labour rights, environmental protection and business ethics. These set out minimum rights and fundamental principles, as well as the responsibilities of signatories. The Universal Declaration of Human Rights, the conventions of the International Labour Organization (ILO), the Rio Declaration on Environment and Development or the United Nations Convention against Corruption are examples of normative frameworks covering key environmental, social and governance issues. These standards serve ODDO BHF AM as a reference framework for its investment decisions.

### Exclusion criteria

ODDO BHF AM relies on MSCI ESG Research, an external provider of extra-financial data, to compile and update its monthly exclusion list for violations against the United Nations Global Compact as well as OECD Guidelines for Multinational Enterprises. Eligible companies are identified using the Global Norms Screening filter within the MSCI ESG Controversies module. In addition, our ESG Investment Forum reserves the right to add or exclude issuers from this list at our discretion.

## 1.7 BIODIVERSITY

### Background

Global warming and the progressive destruction of biodiversity are not isolated problems, but are interrelated and affect each other, as the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) has pointed out. Accordingly, the fight against global warming cannot be conducted without a clear strategy to protect living organisms.

This biodiversity loss and extinction crisis also has a global economic impact. According to a 2019 OECD report, economic losses due to inaction on biodiversity protection are estimated to be between US\$4 trillion and US\$10 trillion globally for the period 1997-2011<sup>12</sup>. This major economic impact is likely to be even greater in the years to come. The World Bank estimates that the global economy could lose US\$2.7 trillion annually from 2030 onwards if the collapse of ecosystem services such as pollination, availability of fish and forest resources continues<sup>13</sup>. Therefore, preserving biodiversity is necessary to ensure future growth and prosperity.

The increase in biodiversity risks has led us to increase our vigilance and to define two dedicated exclusion lists: the first relates to the palm oil industry, the second to environmental damage.

### Exclusion criteria

The first exclusion list relating to the palm oil industry is based on monitoring external sources: NGOs focusing on palm oil, media reports and our external data provider MSCI. The ESG team reviews the veracity and materiality of controversies linked to companies in the palm oil industry to define the exclusion list. The exclusion list includes companies that generate more than 5% of their revenues from various activities in the palm oil industry<sup>14</sup> and that

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<sup>12</sup> OECD (2019) « *Biodiversity: Finance and the Economic and Business Case for Action* »

<sup>13</sup> World Bank (2021) « *The economic case for nature* »

<sup>14</sup> *Production, processing, trade, consumer goods based on palm oil.*



violate sustainability principles as defined by certification bodies (e.g. RSPO<sup>15</sup>). These are companies that do not have reliable procedures and tools for monitoring palm oil production, contribute to large-scale deforestation without providing environmental compensation, illegally appropriate land from local communities, and violate fundamental workers' rights.

The second list relating to environmental damage is also based on monitoring external sources: NGOs focused on biodiversity, media coverage, companies' trackrecords of environmental litigation, and our data provider MSCI. The definition of reliable methods and indicators for measuring a company's environmental footprint is still at its very early stage. Thus, ODDO BHF AM focuses on the trackrecords of known environmental violations and controversies for this exclusion list. These are companies whose activities have a negative impact on biodiversity and which do not pursue a clear and credible strategy to preserve and protect it. For example, this list excludes companies whose chemical products could have a significant impact on the pollution and degradation of ecosystems: waterways, forests, soils and living species. It also includes companies from the energy sector that have repeatedly contributed to illegal or controversial deforestation to develop industrial projects.

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<sup>15</sup> *Roundtable on Sustainable Palm Oil (RSPO)*

# 02

## SPECIFIC SECTOR EXCLUSIONS

Unlike ODDO BHF AM's common base of exclusion, these exclusions apply only to certain open-ended funds, dedicated funds or segregated accounts, in particular in order to comply with the rules governing the labelling of some of our strategies.

### 2.1 CONVENTIONAL OIL AND GAS

#### Background

To comply with the Paris Agreement and to limit global warming to 1.5°C, it is necessary to reduce the use of fossil fuels. In scenarios consistent with a 1.5-2°C trajectory, it is imperative to reduce oil and gas production. As the International Energy Agency (IEA) pointed out in May 2021, any new oil and gas project beyond those already committed in 2021 will jeopardise reaching carbon neutrality by 2050 and limiting global warming to 1.5°C by the end of the century. However, only few oil and gas companies are committed to this pathway.

#### Exclusion criteria

Companies that generate more than 5% of their revenues from the extraction and production of conventional oil and gas are excluded.

### 2.2 NUCLEAR POWER

#### Background

The nuclear power sector plays an important role in the energy transition. Admittedly, opinions differ on this sector as a green energy source. Nevertheless, the projections of the Intergovernmental Panel on Climate Change (IPCC) see nuclear power generation as a significant factor by 2030 in a scenario limiting global warming to 1.5°C. The share of nuclear power is projected to rise from 12.09% in 2020 to 14.33% in 2030 in a 1.5°C scenario. By comparison, the share of coal would have to fall from 32.32% in 2020 to 7.28% to meet these climate targets. Unlike fossil fuels, nuclear power generation does not produce air pollution or direct carbon dioxide (CO<sub>2</sub>) emissions. Thus, over its lifetime<sup>16</sup>, nuclear energy produces much lower CO<sub>2</sub> emissions per kWh generated than any fossil fuel-based solution, with nuclear energy accounting for an average of 12 grams/kWh worldwide versus 820 grams/kWh for coal<sup>17</sup>.

Given growing pressure to drastically reduce global greenhouse gas emissions over the next decade, investing in nuclear energy by 2030 is legitimate in terms of its carbon footprint compared to fossil fuels.

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<sup>16</sup> *The lifetime includes all phases of nuclear energy production: uranium mining, fuel fabrication, plant construction, operation and dismantling, etc.*

<sup>17</sup> *IPCC (2014)*

ODDO BHF AM remains well aware of other environmental and health issues related to the nuclear industry, including the risks of radioactive waste and the safety of nuclear plants. However, we believe that nuclear power has a major role to play in the energy transition on a short to medium-term horizon. For these reasons, we have chosen not to include nuclear power in ODDO BHF AM's common base of exclusion policy, but to consider it as a specific sector exclusion.

### Exclusion criteria

Companies that generate more than 5% of their revenues from the production of nuclear energy, the operation of nuclear power plants and uranium mining are excluded.

## 2.3 GAMBLING

### Background

Gambling companies including casinos, lotteries and betting promote social risks such as over-indebtedness or addiction through aggressive marketing practices. We pay particular attention to compliance with applicable regulations, the management of money laundering risks and measures to fight gambling addiction.

### Exclusion criteria

Companies are excluded if more than 5% of their revenues are generated from gambling activities.

## 2.4 CONVENTIONAL WEAPONS

### Background

The defence industry is essential to safeguarding the sovereignty, security and strategic autonomy of states, especially in the face of growing international tensions. ODDO BHF AM recognises the right of countries to defend themselves and to ensure their security. Conventional weapons include weapons that comply with international conventions on warfare (as defined in section 1.5), e.g. weapons that are not biological, chemical, nuclear or radiological and that are not considered excessively injurious or indiscriminate. Conventional weapons under The Arms Trade Treaty (2013) are:

- Battle tanks;
- Armoured combat vehicles;
- Large-calibre artillery systems;
- Combat aircraft;
- Combat helicopters;
- Warships;
- Missiles and missile launchers;
- Small arms and light weapons.

ODDO BHF AM ensures that its investments in conventional weapons are only made in companies regulated by a state that has ratified the Arms Trade Treaty (ATT), which was adopted by the UN General Assembly in 2013 and entered into force in 2014.

### Exclusion criteria

Companies with more than 5% of their revenues from the production, manufacture, maintenance and sale of conventional arms are excluded.

Companies with more than 5% of their revenues from the production, manufacture, maintenance and sale of conventional arms and which are regulated by a state that has not signed and/or ratified the Arms Trade Treaty will be excluded.

## 2.5 GENETICALLY MODIFIED ORGANISMS (GMOS)

### Background

According to the French Ministry of Ecological Transition, "genetically modified organisms are organisms such as animal, plant, fungus, micro-organisms, whose genetic material has been modified in a way that does not occur naturally, in order to give it one or more desired characteristics". While the use of GMOs does encompass potential health and environmental risks, technological progress and tightened regulations have helped to limit the risk of GMOs, particularly in the European Union.

### Exclusion criteria

Companies with more than 5% of their revenues from the production of GMOs are excluded.

## 2.6 ALCOHOL

### Background

The production and distribution of alcohol has a significant impact on the health of consumers. Often the fight against smoking receives more attention. Yet, alcohol consumption can also lead to chronic and serious diseases. According to the World Health Organization, alcohol abuse is responsible for 3.3 million deaths worldwide each year<sup>18</sup>. Reducing alcohol consumption is therefore also an important element in the fight against development inequalities – key concern also covered by the United Nations Sustainable Development Goals (UN SDGs). Indeed, the dangers of alcohol are more prevalent among poor consumers than among the wealthiest. This perpetuates and reinforces social inequalities that governments seek to address.

### Exclusion criteria

Companies that generate more than 5% of their revenues from alcohol production are excluded.

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<sup>18</sup> World Health Organization (2018) "Global status report on alcohol and health 2018".

## 2.7 ADULT ENTERTAINMENT

### **Background**

Companies involved in adult entertainment face significant social risks related to human trafficking, child pornography or prostitution.

### **Exclusion criteria**

Companies that generate more than 5% of their revenues from the production of adult entertainment are excluded.

# 03

## RELEVANT EUROPEAN LABELS

Some of ODDO BHF AM's funds have an ESG label or have applied for an ESG label in Europe. These are primarily the German FNG label, the Belgian "Towards Sustainability" label and the French SRI label. For each of these labels, in addition to the exclusions already mentioned, we also comply with the sector exclusions and exclusion thresholds specific to each label. Furthermore, we follow changes in the label's methodology in order to integrate new exclusions and to take into account adjustments to the thresholds used. The exclusion criteria defined by the labels may go beyond the exclusion thresholds we defined in our common base of exclusion (see sections 1.1 to 1.7). ODDO BHF AM and its delegated fund managers within the ODDO BHF Group hence apply the most stringent thresholds for the funds concerned.

### 3.1 THE GERMAN FNG LABEL

In line with the German FNG label, ODDO BHF AM and its delegated fund managers within the ODDO BHF Group undertake to strictly exclude the following sectors<sup>19</sup> if thresholds are exceeded:

#### **Weapons**

- Production of unconventional weapons and/or essential components: 0% of revenues
- Production of conventional weapons/armaments and/or essential components: 5% of revenues

#### **Nuclear**

- Uranium mining, nuclear power generation and production of essential components for nuclear power generation, operators of nuclear power plants: 5% of revenues

#### **Fossil energy sources**

- Production / extraction of thermal coal: 5% of revenues
- Coal-fired power generation: 5% of revenues
- Production of unconventional oil & gas (fracking and/or oil sands): 5% of revenues

#### **Tobacco**

- Tobacco production: 5% of revenues

#### **Governance and international conventions**

- Policy for monitoring violations of the ten principles of the UN Global Compact

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<sup>19</sup> FNG (2021), *Procedures/Conditions of the FNG label 2022*. Available at: <https://fng-siegel.org/kriterien/>

## Controls

ODDO BHF AM monitors compliance with these exclusions using MSCI ESG Research tools.

## Funds concerned

ODDO BHF Sustainable Euro Corporate Bond

ODDO BHF Algo Sustainable Leaders

ODDO BHF Green Planet

ODDO BHF Sustainable German Equities

## 3.2 THE BELGIAN « TOWARDS SUSTAINABILITY » LABEL

In line with the Belgian "Towards Sustainability" label, ODDO BHF AM and its delegated fund managers within the ODDO BHF Group undertake to strictly exclude, based on the 2023 updated Quality Standard criteria and due in January 2024, the following sectors<sup>20</sup> if thresholds are exceeded:

### Fossil energy sources

- Prospection/exploration/extraction/mining/processing/transportation of thermal coal: maximum 5% of revenues and 10Mt production, no involvement in coal exploration/development, maximum 25% of revenues from enabling activities.
- Prospection/exploration/extraction of unconventional oil & gas: maximum 5% of revenues or 5% of oil & gas production, no exploration/development of new fields, maximum 25% of revenues from enabling activities. Unconventional Oil & Gas refers to tar sands oil, coalbed methane, extra heavy oil and Arctic oil & gas, as well as oil & gas from unconventional production methods such as fracking or ultra deep drilling.
- Prospection/exploration/extraction/processing/transportation of conventional oil & gas: no exploration/development of new fields in any case, maximum 5% of revenues unless the company meets an eligibility criteria of the label, maximum 25% of revenues from enabling activities.

### Energy production

- Production of energy/heat from non-renewable sources: 5% of revenues maximum unless the company meets an eligibility criteria of the label, less than 5 GW coal power and no increasing coal capacity in any case.

### Weapons

- Production of unconventional weapons or their essential components: 0%.
- Production of conventional weapons or their essential components: 5%

### Tobacco

- Production of tobacco and trade in tobacco related products: 5%

<sup>20</sup> *CLA, Revised Towards Sustainability Qualitative Standard Final Criteria (2023), [https://towardsustainability.be/public/TowardsSustainability\\_QSRevision2023\\_Final\\_20230630.pdf](https://towardsustainability.be/public/TowardsSustainability_QSRevision2023_Final_20230630.pdf)*

## Sovereigns

- Investments in sovereign bonds are possible only in countries with sound governance practices, as measured by the 6 Worldwide Governance Indicators (WGI) of the World Bank. Additional stricter criteria have to be met for high-income countries on multiple topics, such as human rights, labour conditions, environmental protection, pacifism, freedom of citizens or also death penalty. The labelling agency provides us the list of eligible States annually. For further details, please refer to the label's documentation.

## Label requirements

The "Towards Sustainability" label provides an exemption for companies that do not meet the label's criteria for the power generation sector. These are allowed to remain in an investment fund applying for the label up to a maximum of 3% of the portfolio's total assets in 2024 (to be reduced to 0% by June 2025). However, they must be among the top 25% companies in terms of ESG rating, based on a best-in-class approach, not be involved in coal expansion projects and have less than 5 GW coal-based power capacity.

## Controls

ODDO BHF AM monitors compliance with these exclusions using MSCI ESG Research tools, with data compiled annually by the non-governmental organization Urgewald and with the list of sovereigns provided by the labelling agency.

## Funds concerned

ODDO BHF Polaris Flexible

ODDO BHF Sustainable Credit Opportunities

## 3.3 THE FRENCH SRI LABEL

In line with the French SRI label, ODDO BHF AM and its delegated fund managers within the ODDO BHF Group undertake to comply with the ESG integration criteria required by the label:

- Minimum ESG coverage of the portfolio: above 90% on a long-term basis;
- Reduction of the investable universe by 20%;
- Measurability of the ESG integration strategy;
- An average ESG rating for the portfolio that is significantly higher (i.e. better) than the average ESG rating of the initial universe;
- Improvement of the portfolio's average ESG rating over time.

## Funds concerned

ODDO BHF Avenir Euro

ODDO BHF Avenir Europe

ODDO BHF Génération

Pilotage Selection Durable



ODDO BHF Metropole Selection

ODDO BHF Metropole Euro SRI

# 04

## EXCLUSIONS SPECIFIC TO GREEN, SOCIAL AND SUSTAINABILITY BONDS

The common base of exclusions also applies to our green, social and sustainability (GSS) bonds<sup>21</sup> investments.

We will particularly review the following principles:

- The issuer's sustainability commitments and actions, showing evidence of improvement towards becoming more sustainable;
- The issuer is not exposed to proven violation of the UN Global Compact. The bond complies with the Green Bond Principles (GBP), the Social Bond Principles (SBP) or the Sustainability Bond Guidelines (SBG) of the International Capital Market Association (ICMA);
- The bond is used to finance projects as defined in the GBP, the SBP, the SBG and/or by the French label Greenfin, or activities that are considered sustainable according to the European taxonomy.

Within the framework of the "Towards Sustainability" label, funds which apply for the label need to comply with all the provisions applicable to green bonds. This implies full compliance with the GBP and the financing of activities that are considered as green under the "Towards Sustainability". Any green bonds used to finance activities not in line with these requirements are strictly excluded. On the other hand, funds with the "Towards Sustainability" label which do not promote GSS Bonds only need to comply with the above provisions when investing in GSS Bonds issued by companies which would otherwise be excluded under the label's "Fossil Energy Sources" or "Energy Production" categories,

GSS bonds for which the investment team may have an interest for our dedicated funds are assessed in line with our internal framework developed by the investment teams and the ESG team. The Control team ensures adherence to this policy by implementing internal rules notably the compliance with ICMA standards.

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<sup>21</sup> However, investments in GSS bonds from issuers excluded under the coal categorie remain eligible unless these issuers are developing new capacities except if stated differently in the prospectus.

# 05

## EXCLUSIONS IN OUR PRIVATE ASSETS ACTIVITIES

Depending on the investment strategies, private assets funds seek to avoid investing in funds and companies which breach our Common base of exclusion. Our Common base of exclusion is applied every time it is feasible. However additional criteria may apply depending on each investment strategy as stated in their legal documentation:

- Private Debt<sup>22</sup>: we apply our Common base of exclusion to all Article 8 private debt funds
- Direct Private Assets Funds<sup>23</sup>: we apply our Common base of exclusion to all our Article 8 funds
- Article 8 Fund of funds investment strategies:
  - For investments in primary funds our Common base of exclusion may apply depending on the availability of data on existing transactions already made at the time of the due diligence.
  - For co-investments as well as for some transactions with clear and strong visibility on the underlying assets (Continuation funds - Single assets), we apply our Common base of exclusion.
  - For secondary transactions, we strive to avoid investing in funds and companies which breach our Common base of exclusion. As such, the exclusion policy will be monitored on a best effort basis given the lack of visibility of underlying assets.

Please note that, Article 8 funds may apply additional exclusions reported in the respective legal documents.

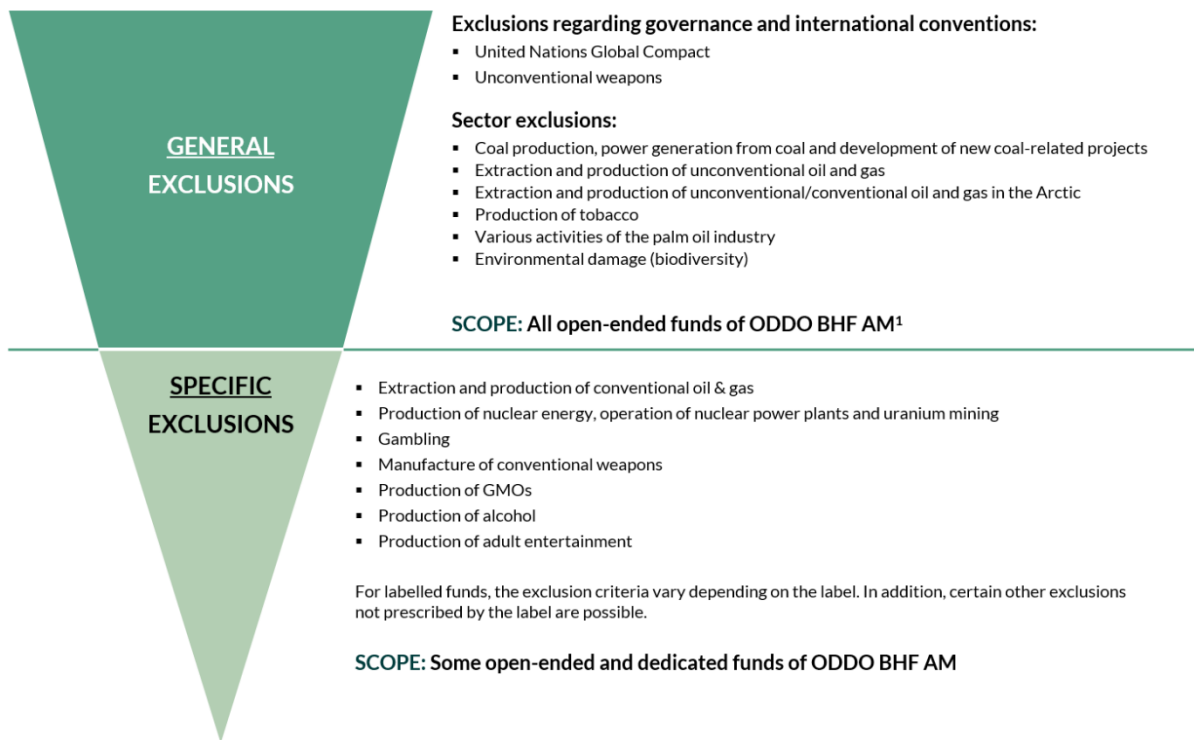
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<sup>22</sup> It is referring to funds managed by ODDO BHF Asset Management Lux

<sup>23</sup> It is referring to funds managed by ODDO BHF Asset Management SAS

# 06

## ODDO BHF AM'S EXCLUSION POLICY AT A GLANCE



<sup>1</sup> except ODDO BHF AIF PLC, TPA mandates, externally managed funds, and depending on the investment strategy for Private Assets funds.

### SUMMARY OF THRESHOLDS UNDER OUR EXCLUSION POLICY (EXCLUDING LABEL REQUIREMENTS)

| Sectors              | GENERAL EXCLUSIONS |                          |        |         |                        |          | SPECIFIC EXCLUSIONS    |         |          |                      |     |         |                     |
|----------------------|--------------------|--------------------------|--------|---------|------------------------|----------|------------------------|---------|----------|----------------------|-----|---------|---------------------|
|                      | Coal               | Unconventional Oil & Gas | Arctic | Tobacco | Unconventional weapons | Palm oil | Conventional Oil & Gas | Nuclear | Gambling | Conventional weapons | GMO | Alcohol | Adult entertainment |
| Exclusion thresholds | 5%*                | 5%                       | 10%    | 5%      | 0%                     | 5%       | 5%                     | 5%      | 5%       | 5%                   | 5%  | 5%      | 5%                  |
|                      | 20%**              |                          |        |         |                        |          |                        |         |          |                      |     |         |                     |

\* Production of coal: 8 million tonnes or, alternatively, 5% of revenues  
 → EU: 0% (2030) - Rest of the world: 0% (2040)

\*\* Power generation: 20% of the production mix (alternatively, of the installed capacity)  
 → EU and OECD countries: 15% (2024) - 10% (2026) - 5% (2028) - 0% (2030)

■ Successively adjusted threshold value  
 ■ Absolute threshold as % of revenues

# PROCEDURES FOR MONITORING EXCLUSIONS

ODDO BHF AM's relies mainly on external data vendors to screen issuers to be excluded in compliance with our exclusion policy.

ODDO BHF AM's ESG research team oversees and shares the various exclusion lists with the portfolio investment teams responsible for the funds concerned in order to ensure adherence with the ODDO BHF AM Exclusion Policy.

- Listed assets

The exclusion lists are also distributed to the controlling teams to ensure that they are included in the portfolio constraint management and monitoring tools:

- Pre-trade in Bloomberg AIM (blocking of buy orders) at portfolio level in real time in the case of ODDO BHF AM SAS, ODDO BHF AM GmbH and ODDO BHF AM Lux;
  - Post-trade through the tools Sentinel (ODDO BHF AM SAS), AIM in the case of ODDO BHF AM GmbH and ODDO BHF AM Lux.
- Non-listed (private) assets

Prior to any transaction, the investment team and ESG research team ensure compliance of the target with the Common base exclusion policy. The compliance team also verifies at second level that the transaction abides with the funds legal documents.

## 07 UPDATING THE EXCLUSIONS

The proposition to include new exclusion criteria or to deviate from an existing exclusion list is made by our ESG Investment Forum. It is discussed and validated by our Global Management Committee (GMC).

The list of excluded sectors and companies is updated monthly based on the MSCI ESG Research tools, Urgewald data and our internal analyses. The exclusion list for unconventional weapons is updated once a year (see point 1.5).

**Nicolas Chaput**

Global Chief Executive Officer  
Asset Management & Private Assets



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Chief Investment Officer  
Asset Management



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