



ODDO BHF
PRIVATE ASSETS

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RESPONSIBLE INVESTMENT
POLICY

JANUARY 2023

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DISCLAIMER

This document is issued by ODDO BHF Asset Management SAS (France) and ODDO BHF Asset Management Lux (Luxembourg).

These two and separate entities are part of the brand ODDO BHF AM which is composed of four legal separated asset management companies: ODDO BHF AM SAS (France), ODDO BHF AM GmbH (Germany), ODDO BHF AM Lux (Luxembourg) and METROPOLE GESTION(France).

ODDO BHF Asset Management SAS is a French management company whose registered office is located at 12, boulevard de la Madeleine, 75009 Paris, France, registered with the Paris Trade and Companies Registry under number 340 902 857, and approved by the Autorité des Marchés Financiers (the "AMF") under number GP99011.

ODDO BHF AM Lux (Luxembourg) is a portfolio management company located at 6, rue Gabriel Lippmann – L-5365 Munsbach, Luxembourg and approved by the Commission de Surveillance du Secteur Financier (CSSF). Its commercial register number is B 29891.

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01

PRIVATE EQUITY

1.1 INTRODUCTION

The private equity platform of ODDO BHF Asset Management (“OBAM”) views responsible investing as an integral part of its business, and this Responsible Investment Policy formalises its longstanding view of considering all stakeholders in investment and management decisions. The private equity team is driven by the conviction that addressing environmental, social, and corporate governance (ESG) characteristics is crucial to investment risk management; and effective mitigation of these considerations can have a material impact on value creation and long-term success.

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

In developing our ESG policy, we considered the UN PRI and private equity-specific frameworks such as the PRI’s Integrating ESG in Private Equity and Limited Partner ESG Due Diligence Questionnaire.

The implementation of the sustainable finance disclosure regulation (SFDR) has been really helpful instrumental in structuring our sustainable investing approach within the private assets. While we have taken many important steps to date, our Responsible Investment program continue to evolve as we refine and adapt our approach. We strive to meet our investors' expectations through our ESG policies, processes and practices and are therefore committed to continuous improvement in this area.

1.2 RESPONSIBLE INVESTMENT OBJECTIVES

The Private Equity team will endeavor to:

- Take account of ESG characteristics as part of the investment process, with the results forming a key element of the overall analysis on investment opportunities, where appropriate and for the relevant funds;
- Engage with the general partners (“GPs”) of portfolio funds to promote the importance of ESG characteristics and programs (notably the stewardship of their portfolio companies during the holding period and of any material ESG incidents that may arise), where appropriate and for the relevant funds¹;
- Monitor ESG-related information and sustainability risks for portfolio funds and, to the extent available, underlying investments, where appropriate and available for the relevant funds¹;
- Follow a policy of active ownership, highlighting our interest in ESG through our routine interactions with GPs and more specifically in relation to specific incidents;
- Keep our Limited Partners (LPs) aware of ESG-related topics through dedicated ESG reporting and encourage GPs to provide a similar level of reporting;
- Reviewing this Policy’s effectiveness on a regular basis and at least annually;
- Encourage an ESG dialogue in alignment with this policy with relevant industry associations (FrancelInvest, PRI, etc.) and continue to develop and enhance our ESG approach to maintain industry standards.

1.3 THE ROLE OF THE INVESTMENT COMMITTEE

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

1.4 INCORPORATING ESG CONSIDERATIONS IN DUE DILIGENCE

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

SFDR Article 8 fund(s)¹

Primary Fund Investing

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

- Whether the GP is a signatory of the PRI or any other ESG related standards;
- Whether the GP has formalized an ESG Policy;
- The ESG philosophy and procedures of the GP, and the comprehensiveness of their ESG due diligence activities (including for example hiring external specialist advisors) before investment;
- Who within the organization is responsible for incorporating ESG considerations into investment decisions;
- How the GP engages and promotes sustainable business practices with portfolio companies during ownership, preferably including examples from prior investments;
- How the GP have added ESG-related value at exit;

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

SFDR Article 6 funds are those that do not integrate sustainability risks into the investment decisions.

- Whether the GP report on significant ESG risks that arise in portfolio companies to advisory boards and/or in quarterly LP reporting.

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

Direct Co-investments

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

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

For Primary Fund and Direct Co-investments, to assess the conformity of the investments with the fund's themes, the investment process and subsequent reporting and monitoring include the following step and output:

- Prior to any investment, the sending of an ESG fund theme and self-assessment questionnaire to the third-party manager of the proposed investment in order to:
 - Establish whether the third-party manager has a high-quality general ESG awareness, due diligence, and implementation process as well as high-quality ESG monitoring and re-ported; and
 - Assess the likely level of conformity of the future portfolio investments of a fund, or in the case of a Direct Co-investment, the conformity of the portfolio company itself, with the fund's themes.

The questionnaire is prepared by the PE team and is the minimal piece of information gathering. In certain cases, it is possible to obtain other documents (ESG policy or other) which provide responses to the questionnaire or supplement the analysis.

The results of the questionnaire are analysed either by an external service provider or internally. This analysis seeks to verify the quality of the investments with regard to ESG criteria and the compliance with the fund's investment strategy.

SFDR Article 6 and 8 fund(s)

Secondary Fund Investing

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

investment decision needs to be made. Therefore, we concentrate our sustainability efforts on engagement with the GPs in our secondaries portfolios through our annual ESG questionnaire.

1.5 CLIMATE ACTION

Forward-looking analysis, which involves identifying emerging risks and trends that could affect outcomes, is a major challenge for investors. In order to buy, sell and invest in a company or fund, we need to have a general understanding of the issues. Climate change and energy transition risks are a growing risk factor. The real impacts of climate change can no longer be ignored, and concerns about these impacts and the far-reaching measures needed to avoid dangerous levels of warming are increasingly on the agenda of asset owners, financial regulators, and national governments.



To this end, we joined the initiative Climat international (iCi) in 2021. The iCi was originally launched as the iC20 (Initiative Climat 2020) in November 2015 by a group of French private equity firms to contribute to the Paris Agreement's objective of limiting global warming to well-below 2 degrees Celsius.

The three commitments under the initiative are:

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

Our membership in this initiative allows us to be a part of an endorsed, global, and collaborative initiative to assess and mitigate private equity's exposure to climate change risk. We also gain access to climate-related training materials and workshops.

1.6 MONITORING, ENGAGEMENT & REPORTING

We have engaged a service provider that is a leading European sustainability platform for investment firms to monitor and report on extra-financial performance of our article 8 SFDR funds and to assist us in maintaining coverage of ESG risks and exposures across our recent portfolios. This external provider enables us to achieve the following as part of our overall investment monitoring:

- Customized monitoring on the GPs and underlying portfolio companies through a dedicated web-based platform
- Provision of a range of ESG metrics which enable us to provide more detailed ESG reporting to clients as well as providing for in-depth information for our on-going risk analysis

Further, we engage with GPs on ESG reporting in an effort to increase both the levels and standards of ESG reporting across the industry. Post-investment, we ask all portfolio GPs to complete an annual ESG questionnaire (via the web platform) to track their progress on ESG issues. This enables us to report portfolio-level progress back to our own investors, as well as track our progress in implementing our own responsible investment policy.

The PE platform produces and distributes a detailed Responsible Investment Report each year. The report is available upon request. ESG updates are also shared at its annual meeting and in periodic investor updates.

Additionally, as part of regulatory requirements under the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy, disclosures and annual required reporting are produced and available.

1.7 SUSTAINABILITY RISK MANAGEMENT

In terms of organization, the Risk & Compliance department is independent of the managers and reports directly to the Chairman of ODDO BHF Asset Management SAS.

The Compliance function also checks and controls compliance with this Responsible Investment policy as part of the Annual Control Plan.

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

Controls are organized at two independent levels:

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

Please refer to the document *"Policy on Integrating Sustainability Risks into the Investment Decision-Making"* for additional details, available on the firm website under Regulatory Information.

02

PRIVATE DEBT

2.1 INTRODUCTION

We are driven by the conviction that analyzing and understanding the materiality and potential impact of ESG issues for our investment targets is crucial to long-term value creation and success. To this end, the ODDO BHF Asset Management Private Debt's management team has set up a specific approach enabling a custom-made ESG analysis of fundamentals within a long-term investment horizon and thus a better understanding of the risks and opportunities. This approach to responsible investing consists broadly of 1) Exclusions, 2) ESG-integrated Due Diligence, 3) Dialogue & Engagement and 4) Monitoring and Reporting.



This approach fits the specific needs and the functioning of the Private Debt team, whose activity is focused on Mittelstand companies, including small and medium European enterprises with a minimum EBITDA of € 3 million. Given their size, some of these companies may only provide a limited amount of information regarding their ESG performance.

Nevertheless, through this approach, the Private Debt team is committed to respecting the UN Principles for Responsible Investment during the different phases of the investment process, with particular emphasis on:

1. Principle 1: The importance of ESG criteria in investment decisions
2. Principle 2: Supporting the companies in which we are invested, aimed at improving extra financial practices and performance
3. Principle 6: Dissemination of relevant information to investors on progress made

2.2 EXCLUSIONS

The exclusions list is based on normative and sectorial considerations and is a critical component of the initial screening on investment opportunities.

- *Norms-based exclusions* – exclusion of companies that fail to meet certain international standards or conventions such as controversial weapons (chemical/biological weapons, anti-personnel mines, or cluster bombs), sanctioned countries, and others
- *Sector exclusions* – total or partial exclusion of sectors or businesses based on sectorial considerations, such as tobacco, alcohol, coal, gambling, unconventional oil & gas, nuclear, etc.

Additionally, the Private Debt team scans for activities that are included among the 13 activities in the “Sensitive Business Guidelines”. Investments in one of the Sensitive Business Areas require specific criteria and risks to be reviewed as part of an enhanced ESG assessment to better understand potential ESG risks. Approval to proceed further in the investment process must then be obtained from the Private Assets ESG Committee, Advisor Credit Committee (OBAM GmbH, as the Investment Advisor) and the Investment Committee (OBAM Lux, as the AIFM).

Norms-based exclusions	Sector Exclusions	Sensitive Business Guidelines ¹
<ul style="list-style-type: none"> • Violations of international conventions • Sanctioned countries • Controversial weapons 	<ul style="list-style-type: none"> • Adult entertainment • Alcohol • Arctic zone oil & gas exploration & production (max 10% of revenues)² • Coal • Gambling • Human cloning and GMOs • Nuclear (max 5% of revenues)² • Tobacco • Unconventional gas and oil production (max 5% of revenues)² • Weapons and ammunitions 	<ul style="list-style-type: none"> • Agriculture, Fisheries and Forestry • Animal Welfare • Betting and Gambling • Clinical Trials • Animal Testing • Defense • Human Rights • Hydro Electric Power (HEP) • Infrastructure • Mining • Nuclear Energy • Oil and Gas • Sex Industry

1.) Outlines the criteria and risks which must be reviewed in the context of a given transaction to decide whether the transaction must be referred for additional ESG assessment. 2.) Additional exclusions to align with ODDO BHF Asset Management’s exclusions policy updated March 2022.

2.3 ESG-INTEGRATED DUE DILIGENCE

After the initial screening, the Private Debt team undertakes to systematically assess the investment targets according to their ESG profile and to conduct the necessary due diligence adapted to their sectors of activity and the typology of the companies financed.

Each investment opportunity is sent the Private Debt ESG Questionnaire which contains 60+ questions covering Environmental, Social and Governance issues, grouped by its relevance to certain UN SDGs. The responses to the questionnaire help form the basis for the coverage of ESG topics in meetings with managers and sponsors. The Private Debt team endeavors to receive and analyze the responses of the questionnaire before commitment; however, due to some deal processes which are time-compressed, this may not always be possible. Where available, the investment team also makes use of dedicated ESG fact books and the ESG sections of information memoranda. Further ESG due diligence is conducted through expert interviews (network of current or ex-top managers of the industry/sector in question).

The Private Debt team reviews the ESG profile of the targets to determine if there are any warning signals that may prevent investment, such as participation in any illicit sectors or industries, controversies (industrial accidents, pollution, allegations of corruption, anticompetitive practices, product safety, supply chain incident, etc.) or weak governance controls. The ESG risks and/or opportunities are formalized and documented in the Credit Application (investment committee memo) and are considered by the final decision-makers. For those investments that require enhanced due diligence, the Private Debt team may request an ad-hoc meeting of the Private Assets ESG Committee to help evaluate the opportunity.

2.4 DIALOGUE & ENGAGEMENT

During the investment phase, the Private Debt team enters into dialogue and engagement with investees and their sponsor(s), if applicable, on any ESG issues raised. The level of engagement depends on the level of access to senior management which in turn is impacted by the concentration of lenders in the deal and/or arrangement role. Nevertheless, the team endeavors to:

- Open dialogue with other lenders and sponsors for collaboration on ESG objectives
- Educate borrowers on lender ESG needs including reporting ones
- Request that investees disclose material ESG incidences in regular borrower information packages
- Include ESG agenda items in regular borrower meetings
- Engage on 2-3 ESG KPIs, which for some borrowers, would result in ESG-linked pricing grid

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

The approach is considered successful if dialogue over time leads to greater ESG transparency and/or improvement of the ESG practices of portfolio companies. However, if the engagement proves unsuccessful (non-existent or unsatisfactory dialogue), the Private Debt team may, as a last resort, decide to divest, if necessary and economically viable.

2.5 REPORTING & MONITORING

Post-transaction, the Private Debt team continues to monitor the ESG status of the companies in which it has invested through an annual ESG questionnaire campaign where comparisons are made on a year over year basis. Sample datapoints include carbon intensity, percentage of non-renewable energy consumption, net number of jobs created, etc. The data collected in the questionnaire campaign is presented in the annual ESG report which also details the ESG progress and priorities of the private debt franchise. The team also regularly communicates ESG issues in the quarterly management reports.

Additionally, the Private Debt team has engaged a leading European provider of extra-financial data and analysis to calculate carbon footprinting (Scopes 1, 2 and 3) for each of the portfolio companies. The results of the calculations form the basis of required reporting under Article 29 of the French Law on Energy and Climate for which institutional investors must report information on how they integrate sustainability into their investment processes, outline the greenhouse gas (GHG) emissions of their investments and how they contribute to the financing of a low carbon economy.

We also report on transition risks as part of Article 29, comprised of "brown share" or the share of portfolio companies that are exposed to the risk of stranded assets by engaging in activities related to fossil fuels (thermal coal, oil, gas, etc.) or by owning fossil fuel assets and "green share", the share of portfolio companies that engage

in climate mitigation and climate adaptation activities. Finally, reporting as required under SFDR and EU Taxonomy are also provided.

03

GOVERNANCE

3.1 PRIVATE ASSETS ESG COMMITTEE

To formalize and support our Responsible Investment program, the ODD BHF Private Assets (“OBPA”) ESG Committee was established in 2021. The Private Assets ESG Committee is a cross-functional team comprised of professionals from all levels of seniority and drawn from across the investment teams, ESG research and strategy, investor relations, legal and compliance. The Private Assets ESG Committee serves as an internal advisory resource that aims to assist with investment related ESG considerations, meet regulatory and client demands.

The Private Assets ESG Committee’s role involves:

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

The Private Assets ESG Committee is comprised of the following individuals:



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

3.2 SUPPORT AND TRAINING

ODDO BHF Private Assets leverages a wide variety of tools and resources to help facilitate ESG integration into our investment process and more broadly.

- An external service provider enhances our ESG due diligence activities and conducts our annual ESG questionnaires
- ODDO BHF Asset Management ESG/Sustainability Team for expert advice on a wide range of subjects including investment strategy and regulatory policy and requirements

ESG awareness and development is a top priority for OBPA, something that is also shared by other entities within the ODDO BHF Group. OBPA provides all members of the investment team, investor relations, finance, and other team members with both formal and informal training covering ESG topics. Some of these trainings originate from the ESG/Sustainability team at ODDO BHF Asset Management and past topics have included SFDR and climate change. OBPA also benefits from the CSR activities of the broader group, including for example the endowment fund and foundation, environmental impact reduction and responsible purchasing programs and HR programs with regards to gender balance and disability inclusion.

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