

## *Environmental and/or social characteristics*

DOES THIS FINANCIAL PRODUCT HAVE A SUSTAINABLE INVESTMENT OBJECTIVE?



<input type="radio"/> <input type="radio"/> Yes	<input type="radio"/> <input checked="" type="radio"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : N/A	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments
<input type="checkbox"/> In economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> With an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> In economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input checked="" type="checkbox"/> With an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : N/A	<input type="checkbox"/> With a social objective
	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b> .

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

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

The Fund promotes environmental and/or social characteristics that are reflected in the construction and weighting of the Management Company's internal rating system.

The internal ESG analysis process is twofold:

- "best-in-universe": the Management Company favours the highest rated issuers regardless of their size and sector of activity.
- "best effort": the Management Company values the progress made over time by issuers, thanks to direct dialogue with them.

As part of the company rating process, the following criteria, among others, are analysed:

- **Environmental:** energy consumption, water consumption, waste management, environmental certifications, products and services with environmental value-added, climate risk management, etc.
- **Social:** human capital (human resources management, executive team diversity, training, employee health and safety, etc.), supplier management, innovation, etc.

- **Governance:** corporate governance (preservation of minority shareholder’s interests, composition of governance bodies, remuneration policy, etc.), fiscal responsibility, exposure to risk of corruption, etc.

Close attention is paid to analysing human capital and corporate governance, which account for 30% and 25% of each company’s score, regardless of its size or industry. We believe that poor human capital management or corporate governance failures pose a major risk to the execution of a company’s strategy and therefore to its valuation.

The analysis of controversies (industrial accidents, pollution, convictions for corruption, anti-competitive practices, product safety, supply chain management, etc.), based on information provided by our external non-financial data provider, is integrated into the rating process and directly influences the ESG rating of each company.

This internal ESG analysis results in an internal rating system on a scale of 1 (worst) to 5 (best): High ESG Opportunity (5), ESG Opportunity (4), ESG Neutral (3), Moderate ESG Risk (2) and High ESG Risk (1).

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

The Management Company’s ESG model uses all of the characteristics and indicators mentioned in the paragraph above, and the monthly ESG report currently shows indicators that demonstrate their attainment as follows:

- The portfolio’s weighted internal ESG rating to measure the overall attainment of environmental, social and governance characteristics.
- The weighted internal rating to assess the quality of corporate governance.
- The weighted internal rating to assess the quality of management;
- The Fund’s carbon intensity (total scope 1 and 2 CO<sub>2</sub> emissions divided by total revenue of the companies in which the Fund invests).
- The brown share of the Fund’s investments (exposure to fossil fuel industries according to MSCI ESG research).
- The green share of the Fund’s investments (exposure to green solutions according to MSCI ESG research).

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

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

**The Fund’s sustainable investment objective is environmental:** contribution to the environmental impact as defined by MSCI ESG research, and its “sustainability impact” field in relation to environmental objectives. It covers the impacts on the following categories: alternative energy, energy efficiency, eco-construction, sustainable water, pollution prevention and control, sustainable farming.

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

The following approach is taken to comply with Article 2 (17) of the SFDR.

- **Sectors excluded from the calculation of sustainable investments:** oil and gas producers.
- **Sectors excluded from investments:** The Management Company’s exclusion policy is applied to eliminate sectors that have the most significant adverse impacts on sustainability objectives. The Fund may not invest in the tobacco, alcohol, gambling, coal mining and energy generation, oil and gas, regulated utilities and telecommunications sectors, as well as in banks that have not committed to a policy that meets international standards for a fossil fuel phase-out.

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

- **Controversies:** After the ESG has double-checked, companies that are the most controversial according to our MSCI ESG data will not be considered sustainable.
- **Consideration of the principal adverse impacts:** Doing no significant harm to the sustainability objectives, the Management Company sets (pre-trade) testing rules for selected significantly harmful activities: exposure to controversial weapons (zero tolerance), activities negatively affecting biodiversity sensitive areas (zero tolerance) and serious violations of the principles of the UN Global Compact and OECD Guidelines for Multinational Enterprises (zero tolerance). The Fund also considers exposure to fossil fuels insofar as it excludes them (zero tolerance for oil and gas production).

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

Regulation (EU) 2020/852 establishes certain areas of concern that may have an adverse impact (“PAI”).

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

The Management Company applies pre-trade rules to four PAIs:

- exposure to controversial weapons (PAI 14 and zero tolerance),
- activities negatively affecting biodiversity sensitive areas (PAI 7 and zero tolerance)
- serious violations of the principles of the UN Global Compact and OECD Guidelines for Multinational Enterprises (PAI 10 and zero tolerance).
- Exposure to fossil fuels (PAI 4 and zero tolerance for oil and gas production).

The Management Company also considers other PAIs in its ESG analysis for companies when the information is available, but without strict testing rules. PAI data is collected to determine the Management Company’s final ESG rating.

ESG analysis covers monitoring of greenhouse gas emissions (PAI 1), exposure to fossil fuels (PAI 4), the share of non-renewable energy consumption and production (PAI 5), energy consumption intensity per high impact climate sector (PAI 6), lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 11), the unadjusted gender pay gap (PAI 12) and board gender diversity (PAI 13). The Management Company also considers two other PAIs: deforestation policy (PAI 15) and lack of human rights policy (PAI 9).

If the Fund has sovereign investments, the manager’s ESG model includes the two main PAIs in the ESG analysis: greenhouse gas intensity (PAI 15) and investee countries subject to social violations (PAI 16).

More detailed information on the Management Company’s consideration of PAIs is available at [www.am.oddobhf.com](http://www.am.oddobhf.com)

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

The Management Company ensures that the Fund’s sustainable investments are aligned by applying its UN Global Compact (UNGC) exclusion list, as indicated in the Management Company’s exclusion policy.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

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

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



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

Yes, in accordance with the provisions of Article 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR), the Management Company takes sustainability risks into account by integrating ESG (Environmental and/or Social and/or Governance) criteria into its investment decision-making process, as set out in the “Investment Strategy” section. This process also makes it possible to assess the management team’s ability to manage the adverse impacts of their business activities on sustainable development. For more information, please refer to the Fund prospectus, which is available on the Management Company’s website: [am.oddo-bhf.com](http://am.oddo-bhf.com).

No



## WHAT INVESTMENT STRATEGY DOES THIS FINANCIAL PRODUCT FOLLOW?

The investment strategy aims to actively manage a portfolio of Euro Zone small and mid caps, without any allocation restrictions, whether geographic or as otherwise specified in the prospectus.

The Fund’s investment universe is made up of the stocks that make up the MSCI EMU SMID CAP as well as other stocks of companies whose registered office is located in the Euro Zone and whose capitalisation is between EUR 500 million and EUR 10 billion (at the time they are first added to the portfolio). On an ancillary basis, the Fund may also invest in securities of companies located in the same geographical area with a market capitalisation of less than EUR 500 million (at the time they are first added to the portfolio).

Initially, the management team takes into account extra-financial criteria in a significant way, thanks to a selectivity approach leading to the elimination of at least 20% of this universe. This selectivity approach can be broken down into two stages:

### I. First stage: sectoral exclusions:

The Fund may not invest in the tobacco, alcohol, gambling, coal mining and energy generation, oil and gas, regulated utilities and telecommunications sectors, as well as in banks that have not committed to a policy that meets international standards for a fossil fuel phase-out.

### II. Second stage: ESG rating:

This step involves taking into account the ESG rating of a large majority of the companies in the investment universe from our internal rating system or from an external non-financial data provider. This rating process once again reduces the Fund’s investment universe to obtain an eligible universe:

1. companies that are not monitored by our internal model or by our external non-financial data provider are systematically excluded from the investment universe;
2. companies that do not follow our internal model and are assigned an ESG CCC or B rating by our external non-financial data provider MSCI ESG Ratings are also systematically excluded from the universe;
3. finally, companies rated 1 out of 5 on our internal rating scale on the “human capital” and/or “corporate governance” pillars are also systematically excluded from this universe.

Our internal ESG analysis process is twofold:

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

- “best-in-universe”: the management team favours the highest rated issuers regardless of their size and sector of activity.
- “best effort”: the management team values the progress made over time by issuers, thanks to direct dialogue with them.

As part of the company rating process, the following criteria, among others, are analysed:

- Environmental: energy consumption, water consumption, waste management, environmental certifications, products and services with environmental value-added, climate risk management, etc.
- Social: human capital (human resources management, executive team diversity, training, employee health and safety, etc.), supplier management, innovation, etc.
- Governance: corporate governance (preservation of minority shareholder’s interests, composition of governance bodies, remuneration policy, etc.), fiscal responsibility, exposure to risk of corruption, etc.

Close attention is paid to analysing human capital and corporate governance, which account for 30% and 25% of each company’s score, regardless of its size or industry.

We believe that poor human capital management or corporate governance failures pose a major risk to the execution of a company's strategy and therefore to its valuation.

The analysis of controversies (industrial accidents, pollution, convictions for corruption, anti-competitive practices, product safety, supply chain management, etc.), based on information provided by our external non-financial data provider, is integrated into the rating process and directly influences the ESG rating of each company.

This internal ESG analysis results in an internal rating system on a scale of 1 (worst) to 5 (best): High ESG Opportunity (5), ESG Opportunity (4), ESG Neutral (3), Moderate ESG Risk (2) and High ESG Risk (1).

The Fund adheres to the AFG Eurosif Code of Transparency for SRI funds open to the public, which is available from the website [www.am.oddo-bhf.com](http://www.am.oddo-bhf.com). This Code describes in detail the extra-financial analysis method and the SRI selection process applied.

The Management Company pledges that issuers representing at least 90% of the Fund’s net assets have an ESG rating.

Investments are selected within the eligible universe on the basis of a stock-picking strategy which consists in choosing companies which enjoy a real competitive advantage on a market with strong entry barriers and which generate a high level of profitability capable of financing their own long-term development.

Accordingly, the manager will then apply a four-stage investment process:

First stage: the manager filters the universe based on economic and financial performance indicators.

They favour companies in a position to generate, over the course of a cycle, a greater return on capital employed than the industry average and a positive free cash flow.

Second stage: fundamental analysis, company visits.

The fundamental analysis of stocks aims to verify that the fundamental elements underlying the financial profitability of a company will be preserved and even improved or regained in years to come.

Company visits: the manager will endeavour to validate the suitability and coherence of the company strategy, any foreseeable changes in the company’s industry and the stock’s sensitivity to the macroeconomic environment or any other theme that may affect the company’s fundamentals.

Third stage: valuation.

Companies are valued using two methods: peers (P/E, yield, EV/sales, EV/EBITDA, etc.) and discounted cashflows (DCF) based on two scenarios: one optimistic, the other pessimistic. These valuations determine the buy and sell thresholds.

Fourth stage: portfolio construction.

Weightings are defined as absolutes rather than with direct reference to a benchmark index.

At the end of this strictly bottom-up process, the manager compares the portfolio's sector allocation to that of the benchmark index. The manager ensures that the portfolio's thematic and sector diversification is sufficient to avoid too great a tracking error versus the benchmark index, while complying with the aforementioned sectoral and ESG exclusions.

Furthermore, the Fund undertakes not to invest more than 10% of its assets in securities rated High ESG Risk (1). A dialogue process with the issuer will be systematically entered into as soon as a security held in the portfolio is rated High Risk, or in the event of a passive breach of the 10% cap. If no progress is made in the 18 to 24 months that follow, the Fund shall divest all of the shares in excess of this cap.

The portfolio's maximum exposure to the different asset classes (equities, debt securities, UCIs and derivatives) may not exceed 100% of net assets, it being understood that the maximum exposure is the sum of the net exposures to each of the markets (equity, fixed income, money) to which the Fund is exposed (the sum of long and hedging positions).

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

The Fund may not invest in the tobacco, alcohol, gambling, coal mining and energy generation, oil and gas, regulated utilities and telecommunications sectors, as well as in banks that have not committed to a policy that meets international standards for a fossil fuel phase-out.

The Fund also follows the Management Company's exclusion policy, which can be found at [www.am.oddo-bhf.com](http://www.am.oddo-bhf.com).

The process of assigning an ESG score to the vast majority of companies that make up the investment universe is intended to narrow down the scope of investments and obtain an eligible universe.

Furthermore, the Fund undertakes not to invest more than 10% of its assets in securities rated High ESG Risk (1). A dialogue process with the issuer will be systematically entered into as soon as a security held in the portfolio is rated High Risk, or in the event of a passive breach of the 10% cap. If no progress is made in the 18 to 24 months that follow, the Fund shall divest all of the shares in excess of this cap.

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

The management team takes into account non-financial criteria through a selectivity approach leading to the elimination of at least 20% of this universe. The approach described above reduces the scope of investments according to applicable sector exclusions and on the basis of the ESG analysis carried out on, and ESG ratings assigned to, eligible issuers.

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

ODDO BHF's Responsible Investment Policy describes our definition and assessment of good governance practices.



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

The Fund will invest:

- a minimum of 75% of its net assets in small and medium capitalisation shares whose registered office is located in a Euro Zone country and whose capitalisation is between EUR 500 million and EUR 10 billion (at the time they are first added to the portfolio), without any geographical distribution constraint or restriction other than those referred to in the prospectus.
- on an ancillary basis, the Fund may also invest in securities of companies located in the same geographical area with a market capitalisation of less than EUR 500 million (at the time they are first added to the portfolio).
- investments in shares whose registered office is located in a country outside the Euro Zone shall not exceed 10% of the assets.

Up to 10% of the Fund may be invested in the units or shares of investment funds.

The Fund may invest up to 25% in bonds and debt securities denominated in euro in order to generate income from cash.

The Fund may invest in all financial futures or options traded on regulated or organised markets or over-the-counter in France and other countries. The Fund may purchase futures, options, currency swaps or forward exchange contracts in order to either hedge equity and currency risk or to increase the portfolio's exposure to equities, sectors or indices to achieve the investment objective defined, without seeking overexposure, up to the limit of 100% of the Fund's net assets.

Securities with embedded derivatives are used in order to manage exposure to equity risk; therefore, the Fund may hold up to 10% of its net assets in convertible bonds and subscription certificates. 10% of its net assets.

To manage cash and optimise the Fund's income, the Fund may carry out reverse repurchase agreements under market conditions, within the limit of 25% of the Fund's net assets.

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

### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

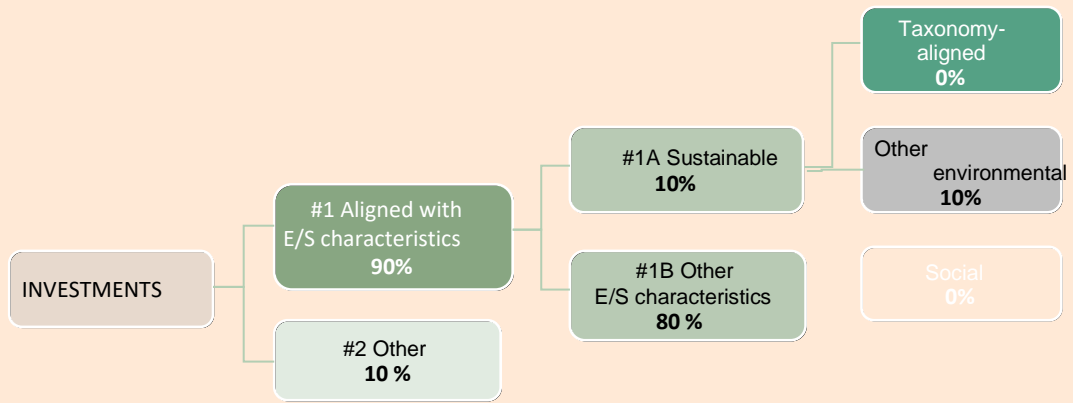
– **turnover** reflecting the share of revenue from green activities of investee companies.

– **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

– **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The symbol represents sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU

Taxonomy.



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

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

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

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

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

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

Derivatives are not used to improve ESG alignment or reduce ESG risk. As part of the investment strategy, the Fund is authorised to use derivatives for hedging and exposure purposes.

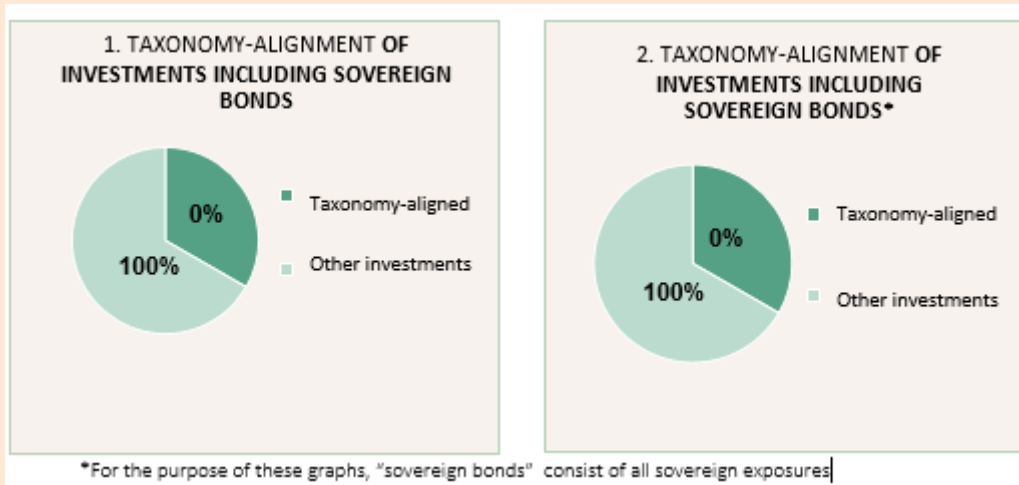


**TO WHAT MINIMUM EXTENT ARE SUSTAINABLE INVESTMENTS WITH AN ENVIRONMENTAL OBJECTIVE ALIGNED WITH THE EU TAXONOMY?**

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

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

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





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

The percentage is not yet known.



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

There is no minimum share of sustainable investments with an environmental objective, but the Fund may make investments with an environmental objective.



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

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



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

Investments included under "#2 Other" are derivatives and other ancillary assets.



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

The Fund's benchmark index is the MSCI EMU SMID CAP (Net Return). The above index is a broad market index that does not necessarily reflect, in its composition or method of calculation, the ESG characteristics promoted by the Fund.

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

The benchmark is not aligned with the environmental or social characteristics promoted by the financial product. Environmental and social characteristics are covered only by the Fund's ESG investment strategy.

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

The benchmark administrator does not check ESG compliance of the index or its components. Issuers' ESG risks and their efforts to promote ESG objectives are factored into the Fund through the Fund's investment strategy.

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

The Fund's benchmark index is a broad market index. The Fund's ESG strategy does not depend on this index.



## WHERE CAN I FIND MORE PRODUCT SPECIFIC INFORMATION ONLINE?

Additional information on the application of ESG criteria by the Management Company shall be available in the Fund's annual report and on the Management Company's website: [www.am.oddo-bhf.com](http://www.am.oddo-bhf.com).

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