

# Environmental and/or social characteristics

Product name: ODDO BHF Avenir Euro

Legal entity identifier: 969500AL9FWP6H6AN295

DOES THIS FINANCIAL PRODUCT HAVE A SUSTAINABLE INVESTMENT OBJECTIVE?

●● <input type="checkbox"/> Yes	●● <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> N/A <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> N/A	<input checked="" type="checkbox"/> It promotes <b>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 10.0% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <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.

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.



## 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 external ESG rating system.

I. First stage: exclusions:

The Fund applies the common exclusion framework as detailed in the Management Company's exclusion policy, which is available at [am.oddo-bhf.com](http://am.oddo-bhf.com). This framework covers coal, oil and non-conventional weapons, in particular. The Fund also applies specific exclusions. The Fund may not, therefore, invest in the regulated utilities and telecommunications sectors, alcohol, gambling, oil & gas, or 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 stage involves taking into account the ESG rating of the companies in the investment universe. To that end, the management team uses non-financial data and ratings provided by an external data provider, MSCI ESG Research.

Additional ESG assessments from the Management Company's research team or from a third party may also be used, particularly in the event that an issuer has not been rated by MSCI.

This rating process once again reduces the Fund's investment universe to obtain an eligible universe.

The lowest-rated companies are excluded from the investment universe.

The average portfolio rating will be equal to or higher than that of the benchmark on the basis of this rating system. The management team takes into account the weighting of securities held in the portfolio when calculating the portfolio average.

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

In the event of an ESG rating downgrade or a change in the ESG rating methodology affecting the average portfolio rating, the return to an average rating that is equal to or higher than that of the benchmark will be achieved by taking into account the interests of unitholders and market conditions.

By applying this stock-picking methodology (selectivity approach as described above), at least 20% of the rated investment universe will be excluded.

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.

The Management Company pledges that at least 90% of the issuers in the portfolio shall have an ESG rating.

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

The MSCI ESG rating 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 ESG rating used to assess the attainment of environmental, social and governance characteristics.
- The weighted MSCI score used to assess the quality of corporate governance.
- The weighted MSCI score used to assess human capital.
- 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).

### *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 and which comprise the common exclusion framework. This exclusion policy addresses the UNGC and includes coal, unconventional oil and gas, controversial weapons, tobacco, loss of biodiversity, and the production of fossil fuels in the Arctic, among others. The Fund also applies specific exclusions. The Fund may not, therefore, invest in the tobacco, alcohol, gambling, oil & gas or regulated utilities and telecommunications sectors, or in banks that have not committed to a policy that meets international standards for a fossil fuel phase-out.
- 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

**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.

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”). 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).

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

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 no 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 comprises:

- stocks that make up the MSCI EMU SMID CAP (when they are first added to the portfolio)
- stocks of companies headquartered in the Euro Zone and whose capitalisation is between EUR 500 million and EUR 10 billion (when 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 (when they are first added to the portfolio).
- On an ancillary basis, the Fund may also invest outside the Euro Zone in securities of issuers headquartered in the European Economic Area and/or in equities of issuers headquartered in a non-EEA European member country of the OECD.

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: exclusions:

The Fund applies the common exclusion framework as detailed in the Management Company's exclusion policy, which is available at [am.oddo-bhf.com](http://am.oddo-bhf.com). This framework covers coal, oil and non-conventional weapons, in particular. The Fund also applies specific exclusions. The Fund may not, therefore, invest in the regulated utilities and telecommunications sectors, alcohol, gambling, oil & gas, or 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 stage involves taking into account the ESG rating of the companies in the investment universe.

To that end, the management team uses non-financial data and ratings provided by an external data provider, MSCI ESG Research.

Additional ESG assessments from the Management Company's research team or from a third party may also be used, particularly in the event that an issuer has not been rated by MSCI.

This rating process once again reduces the Fund's investment universe to obtain an eligible universe.

The lowest-rated companies are excluded from the investment universe.

The average portfolio rating will be equal to or higher than that of the benchmark on the basis of this rating system. The management team takes into account the weighting of securities held in the portfolio when calculating the portfolio average.

In the event of an ESG rating downgrade or a change in the ESG rating methodology affecting the average portfolio rating, the return to an average rating that is equal to or higher than that of the benchmark will be achieved by taking into account the interests of unitholders and market conditions.

By applying this stock-picking methodology (selectivity approach as described above), at least 20% of the rated investment universe will be excluded.

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 at least 90% of the issuers in the portfolio shall 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.

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 applies the common exclusion framework as detailed in the Management Company's exclusion policy, which is available at [am.oddo-bhf.com](http://am.oddo-bhf.com). This framework covers governance issues, as well as international standards and conventions based on the United Nations Global Compact, non-conventional weapons, coal, non-conventional oil & gas, exploration and production of fossil fuels in the Arctic, biodiversity, palm oil and tobacco. The Fund also applies specific exclusions. The Fund may not, therefore, invest in the regulated utilities and telecommunications sectors, alcohol, gambling, oil & gas, or in banks that have not committed to a policy that meets international standards for a fossil fuel phase-out.

### *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 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.

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

Good *governance* practices include sound management structures, employee relations, remuneration of staff and tax compliance.



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

The Fund will invest:

- at least 75% of its net assets in shares belonging to the MSCI EMU SMID CAP index (when first added to the portfolio) or shares from issuers headquartered in the Euro Zone and a market capitalisation of between EUR 500 million and EUR 10 billion (when first added to the portfolio), without any geographical or other allocation restrictions, 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 from issuers headquartered outside the Euro Zone (in an EEA member state and/or in a European country that is a member of the OECD but not the EEA) 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.

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?*

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.

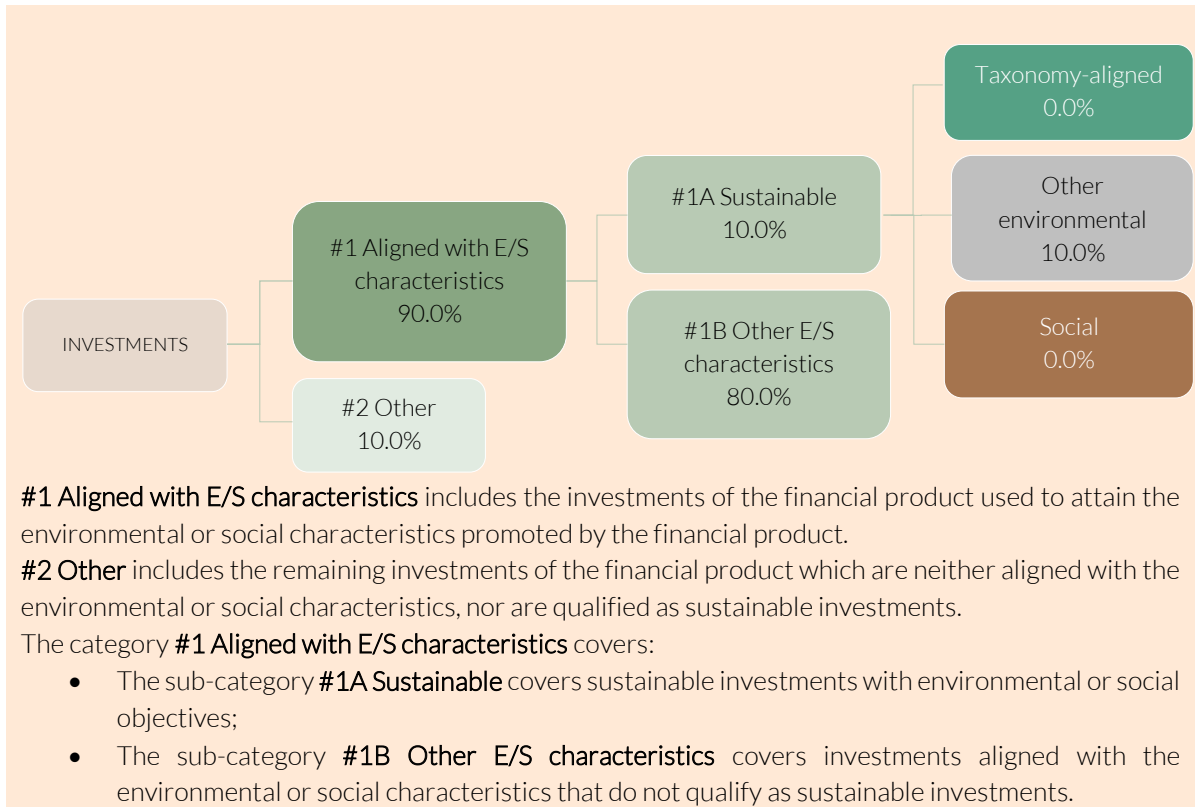
**Asset allocation** describes the share of investments in specific assets.

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.



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

### DOES THE FINANCIAL PRODUCT INVEST IN FOSSIL GAS AND/OR NUCLEAR ENERGY RELATED ACTIVITIES THAT COMPLY WITH THE EU TAXONOMY?

Yes

In fossil gas

In nuclear

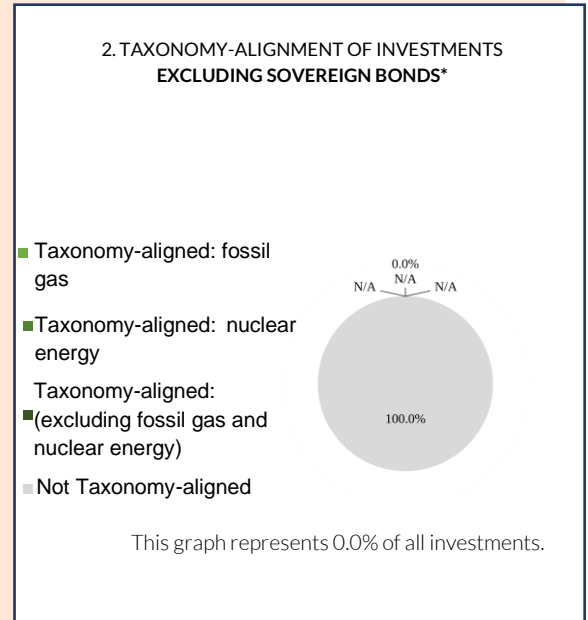
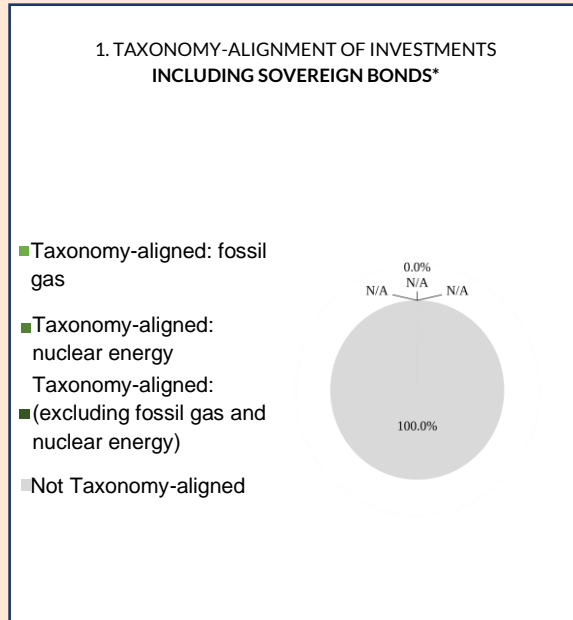
No

The Fund management team analyses the portfolio's positions on the basis of ESG criteria. The Fund does not rule out investing in nuclear energy. A minimum share of EU Taxonomy-aligned activities within the field of nuclear energy is not planned for the Fund.

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.

**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.



\* For the purpose of these graphs, "sovereign bonds" consist of all sovereign exposures.

### 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.



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

### *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 THE METHODOLOGY USED FOR THE CALCULATION OF THE DESIGNATED INDEX BE FOUND?*

For a description of the method used to calculate the index, please visit the MSCI website at [www.msci.com](http://www.msci.com).



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

More detailed information on the product is available at: [am.oddo-bhf.com](http://am.oddo-bhf.com)