

# Environmental and/or social characteristics

Product name: ODDO BHF Global Target 2028

Legal entity identifier: 969500XPDH1A64WTNM31

DOES THIS FINANCIAL PRODUCT HAVE A SUSTAINABLE INVESTMENT OBJECTIVE?

●● □ Yes	●● ☒ 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 <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 5.0% 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?

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

The Sub-fund promotes environmental and/or social characteristics that are reflected in the construction and weighting of the Management Company’s internal ESG rating system.

The internal ESG analysis process is twofold:

“best-in-universe”: the Management Company favours the highest-rated issuers regardless of their size or business sector.

“best effort”: the Management Company values the progress made over time by issuers, thanks to direct dialogue with them.

These two stages may mean that companies excluded because of their low ESG profile but with strong potential for progress in sustainability may be brought back into the investment universe.

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 added environmental value or climate risk management.
- **Social**: human capital (human resources management, diversity of management teams, employee training, health and safety, etc.), supplier management or innovation.
- **Governance**: corporate governance (preservation of minority shareholder’s interests, composition of governance bodies, remuneration policy, etc.), fiscal responsibility, or exposure to risk of corruption.

The Management Company pays close attention to the analysis of human capital and corporate governance, which has an impact on the final ESG rating of each company.

Our analyses are conducted in collaboration by our management and our ESG analyst teams, and enable us to identify the non-financial risks to which each issuer is potentially exposed (corruption, reputation, regulation, retention of talent, product quality and safety, etc.). They allow us to understand if these constitute a significant risk in the delivery of the strategy and published targets. In this way, the result of our ESG analysis is a concrete expression of the risk of executing an issuer's medium and long-term strategy.

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 management team takes ESG criteria into account in its investment decisions but they are not the dominant factor, so the investment decisions taken may not be consistent with ESG criteria.

#### 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 Sub-fund's carbon intensity (total scope 1 and 2 CO<sub>2</sub> emissions divided by total revenue of the companies in which the Sub-fund invests).

The brown share of the Sub-fund's investments (exposure to fossil fuel industries according to MSCI ESG research).

The green share of the Sub-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.

The threshold applied is 5% of revenues deemed sustainable according to MSCI ESG Research in its "sustainable impact revenue" methodology.

The companies in question must also meet the criteria applied to determine whether they cause significant harm to the environment. These criteria also take PAI and controversies into account.

#### 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 investments:** The Management Company's exclusion policy is applied to eliminate sectors that have the most significant adverse impacts on sustainability objectives. The Sub-fund excludes companies manufacturing non-conventional weapons (chemical weapons, anti-personnel mines and cluster bombs, blinding laser weapons, incendiary weapons and non-detectable fragment weapons, nuclear weapons manufactured by a company incorporated in a country not party to the Nuclear Non-Proliferation Treaty (NPT)), and companies undertaking coal mining, coal-based power generation and development projects or infrastructure related to coal, the production of tobacco, and of adult entertainment.

**Controversies:** After the ESG has double-checked, companies that are the most controversial according to our MSCI ESG data will not be considered sustainable.

**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.

**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).

#### HOW WERE THE INDICATORS FOR ADVERSE IMPACTS ON SUSTAINABILITY FACTORS 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 three 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)

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.

These other PAIs are considered by the internal rating model based on qualitative and/or quantitative information available in our MSCI ESG Research tool. Where no such data exists, a quantitative analysis is preferred.

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 Sub-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 can be found under “Regulatory Information” under the “Information” section of the [www.am.oddo-bhf.com](http://www.am.oddo-bhf.com) website.

#### 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 Sub-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 other underlying investments do not take into account EU criteria on 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 Sub-fund prospectus, which is available on the Management Company’s website under the “Fund” section: [am.oddo-bhf.com](http://am.oddo-bhf.com).

No



## WHAT INVESTMENT STRATEGY DOES THIS FINANCIAL PRODUCT FOLLOW?

The Sub-fund’s investment strategy is to manage, on a discretionary basis, a diversified portfolio of debt securities composed, up to a limit of 100% of the Sub-fund’s net assets, of traditional, high yield bonds rated between BB+ and CCC (by Standard & Poor’s or equivalent as assessed by the Management Company, or according to its own internal rating), of which at least 60% are issued by corporate issuers with their registered office in an OECD member country and with maturities of a maximum of six months and one day after 31 December 2028 (final maturity of the product or early redemption options at the sub-fund’s discretion).

ESG (environmental, social and governance) criteria are another factor in fundamental analysis. The management team takes ESG (environmental, social and governance) criteria into account in its investment decisions but they are not the dominant factor, so the investment decisions taken may not be consistent with ESG criteria.

This approach can be broken down into two consecutive stages.

- First stage: the Sub-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. Adult entertainment will also be excluded from all investments in the sub-fund.

- Second stage: 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 using a combination of two approaches:

- 1) best-in-universe: the management team favours the highest rated issuers regardless of their size or business sector.
- 2) best effort: the management team values the progress made over time by issuers, thanks to direct dialogue with them.

These two stages may mean that companies excluded because of their low ESG profile but with strong potential for progress in sustainability may be brought back into the investment universe.

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 added environmental value or climate risk management.
- Social: human capital (human resources management, diversity of management teams, employee training, health and safety, etc.), supplier management or innovation.
- Governance: corporate governance (preservation of minority shareholder’s interests, composition of governance bodies, remuneration policy, etc.), fiscal responsibility, or exposure to risk of corruption.

The Management Company pays close attention to the analysis of human capital and corporate governance, which has an impact on the final ESG rating of each company.

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.

Our analyses are conducted in collaboration by our management and our ESG analyst teams, and enable us to identify the non-financial risks to which each issuer is potentially exposed (corruption, reputation, regulation, retention of talent, product quality and safety, etc.). They allow us to understand if these constitute a significant risk in the delivery of the strategy and published targets. In this way, the result of our ESG analysis is a concrete expression of the risk of executing an issuer’s medium and long-term strategy.

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). For stocks not monitored by the Management Company's internal rating process, the Management Company relies on non-financial data provided by an external service provider.

The Management Company undertakes that 75% of the debt securities and money market instruments with a high yield credit rating and at least 90% of debt securities and money market instruments with an investment grade credit rating have an ESG rating within the sub-fund. These ESG ratings are taken into account by the management teams in order to ensure a certain level of overall ESG quality within the portfolio.

The management team may select stocks that are not included in the sub-fund's investment universe.

#### 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 Sub-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. Adult entertainment will also be excluded from all investments in the sub-fund.

The Management Company undertakes that 75% of the debt securities and money market instruments with a high yield credit rating and at least 90% of debt securities and money market instruments with an investment grade credit rating have an ESG rating within the sub-fund.

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

The fund management team does not have any committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy.

#### 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 net assets of the sub-fund comprise debt securities and money market instruments.

At least 75% of net assets must be aligned with environmental and social characteristics.

The sub-fund may hold up to 25% of its net assets in the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The sub-fund has a minimum 5% of sustainable investments. The sub-fund may hold investments aligned with the environmental or social characteristics that do not qualify as sustainable investments. The sub-fund does not have a minimum Taxonomy alignment and/or environmental or social investments rate. However, the Fund may hold investments that present these characteristics.

At least 75% of issuers in the portfolio of debt securities and money market instruments with a high yield credit rating and at least 90% of issuers in the portfolio of debt securities and money market instruments with an investment grade credit rating are subject to an ESG rating after taking into account the weighting of each security.

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.

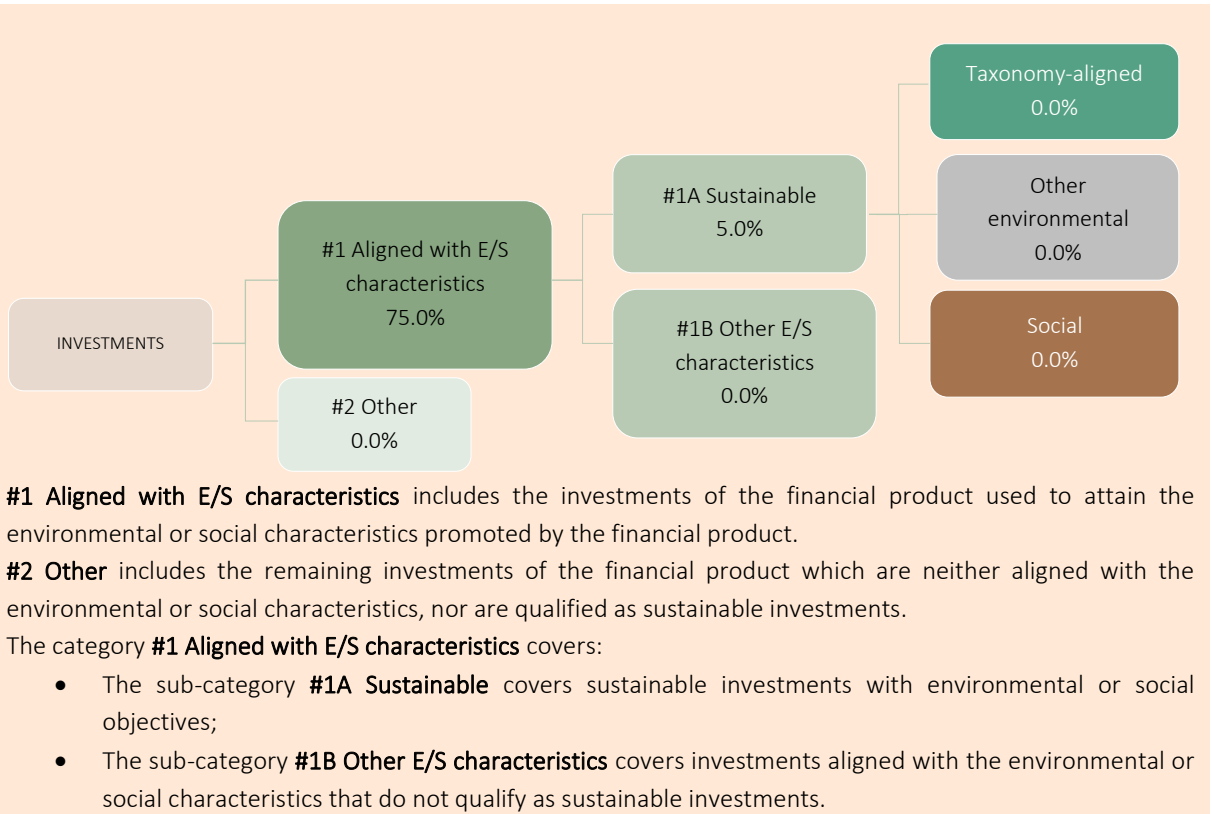
**Asset allocation** describes the share of investments in specific assets.

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.



**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 Sub-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?**

**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

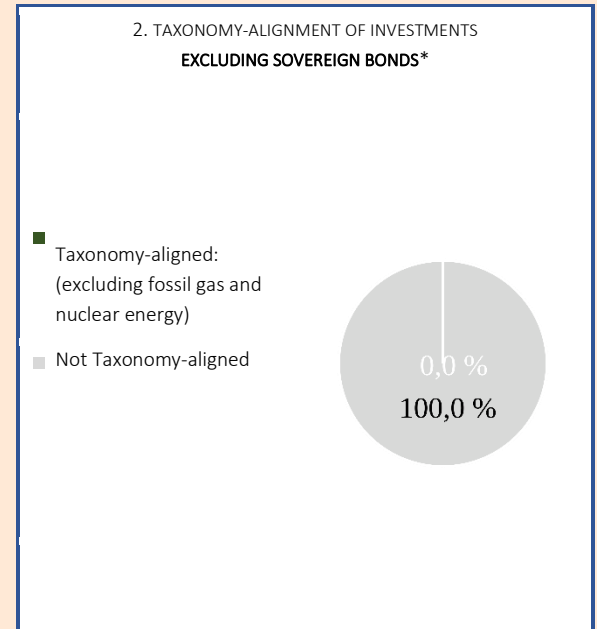
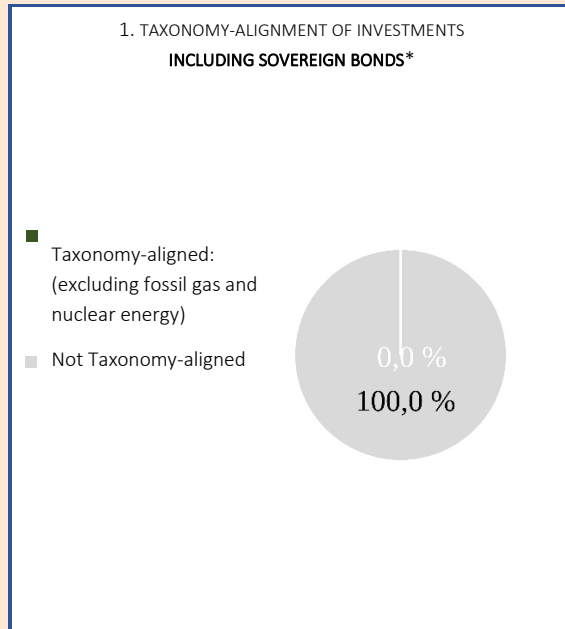
No

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 and/or fossil gas activities. A minimum share of EU Taxonomy-aligned activities within the field of fossil gas and/or 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?

The minimum share of sustainable investments with an environmental objective is 5%.

WHAT IS THE MINIMUM SHARE OF SOCIALLY SUSTAINABLE INVESTMENTS?

There is no minimum share of sustainable 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 Sub-fund does not have a benchmark index.

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

N/A

are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

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

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

N/A

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

N/A

WHERE CAN THE METHODOLOGY USED FOR THE CALCULATION OF THE DESIGNATED INDEX BE FOUND?

N/A



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)