**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.

Product name: R-co 4Change Inclusion & Handicap Equity

Legal entity identifier: 969500YLW8UAAN6UIL80

# Sustainable investment objective

**Does this financial product have a sustainable investment objective?**

☒ **Yes**

☒ It will make a minimum of **sustainable investments with an environmental objective**: **0.00%**

☒ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☒ It will make a minimum of **sustainable investments with a social objective**: **70.00%**

☐ **No**

☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of [N/A] of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☐ It promotes E/S characteristics, but **will not make any sustainable investments**

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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

# What is the sustainable investment objective of this financial product?

The fund has sustainable investment as its objective, assessed with respect to three pillars: (i) contributing to an environmental or social objective, (ii) doing so without doing significant harm and (iii) applying good governance practices.

Our definition is based on data supplied by our service provider MSCI ESG Research. Further details are available in the document "Definition of sustainable investments" which can be found on our website: *https://am.fr.rothschildandco.com/en/responsible-investing/documentation/*

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

As regards corporate issuers, our approach to sustainable investment takes into account:

- Companies' general positive contribution through contributing revenue, i.e. revenue linked to activities with a positive impact on the environment or society (clean energy, energy efficiency, access to care, etc.) or to issuance of sustainable debt instruments (green, social or sustainable bonds);
- Contribution to environmental objectives, such as targets for reducing emissions in line with the Paris Agreement or reducing water use;
- Contribution to social objectives, through alignment with United Nations Sustainable Development Goal 5 (gender equality), 8 (decent work and economic growth) or 10 (reduced inequalities).

As regards public issuers, our approach to sustainable investment takes into account:

- States' general positive contribution through issuance of sustainable debt instruments (green, social or sustainable bonds);
- Positive environmental contribution: Signatory to the Paris Agreement or the United Nations Convention on Biological Diversity;
- Positive social contribution: Performance with respect to equality (Gini index) and freedom of the press (Freedom House).

The primary sustainability objective of the fund is to promote the emergence of a more inclusive society, with a particular focus on disability. Stock selection focuses on how well these societal challenges related to inclusion are integrated into corporate management strategies and the goods and services provided.
The investment objective is to contribute to United Nations Sustainable Development Goal (SDG) 8: Decent Work and Economic Growth.

## What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

The environmental and/or social sustainability indicators used ex post by the fund are:

- ESG profile: ESG rating, rating trends and sector distribution
- Carbon intensity: divergence from indices, sector contribution and identification of main contributors
- Transition profile: green share, SBTi reduction targets, exposure to stranded assets
- Governance: representation of women on the board of directors
- Sustainable Development Goals (SDG): percentage aligned with the SDG

Moreover, the fund uses impact indicators that are directly aligned with its sustainability objective:

- The existence of programmes to promote diversity among the company's employees, as regards gender, religion, ethnicity, etc.; the portfolio's objective is to outperform its initial investment universe on this indicator.
- The presence of women in the company's governing bodies: calculated as the percentage of executives who are women; The portfolio's objective is to beat its initial investment universe on this indicator
- Workplace accidents: calculated as the percentage of fatal accidents within companies
- The development of community-based projects and philanthropic programmes to meet local needs
- The existence of inclusion policies for people with disabilities within the company.

The fund seeks to make progress on the basis of a best-effort approach across all five indicators.

**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.

## How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

In order to be classed as sustainable, an investment must do no significant harm to the various environmental or social objectives to which it intends to contribute.
Rothschild & Co Asset Management has defined a "do no significant harm" ("DNSH") procedure to ensure that the sustainable investments of a financial product do no significant harm to any of its environmental or social objectives. This procedure includes:

- standard sector exclusions which reduce the product's exposure to social and environmental controversies,
- consideration of the mandatory principal adverse impacts (PAIs) of these investments on sustainability factors.

We also use ESG ratings as part of our approach, as a minimal safeguard in relation to overall sustainability performance.

To improve its sustainability, the fund applies sector exclusions to the entire portfolio, allowing environmental and social harm to be limited. The following sectors are excluded: thermal coal, alcohol, pornography, gambling and weapons.

### How have the indicators for adverse impacts on sustainability factors been taken into account?

All mandatory PAIs are taken into consideration in the Management Company's definition of sustainable investments by means of:

- sectoral and normative exclusions, including compliance with minimum guarantees, through exclusionary PAIs:

  - PAI 10 – Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, for corporate issuers;
  - PAI 14 – Exposure to controversial weapons, for corporate issuers;
  - PAI 16 – Investee countries subject to social violations, for sovereign issuers;

- a proprietary quantitative scoring model, incorporating mandatory PAIs.

Further details on the scoring model are available in the document "Definition of sustainable investments" which can be found on our website: *https://am.fr.rothschildandco.com/en/responsible-investing/documentation/*

As well as embedding principal adverse impacts within the investment process, we exclude certain sectors that are controversial because of their environmental and/or social impact.

### How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

The fund ensures minimum safeguards by applying the following standards-based exclusions to the entire portfolio:

- The United Nations Guiding Principles on Business and Human Rights,
- The OECD Guidelines for Multinational Enterprises,
- The Fundamental Conventions of the International Labour Organization.

## Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes, ☐ No

Rothschild & Co Asset Management has identified the principal adverse impacts (PAI) on sustainability factors on which we intend to focus our efforts and resources in order to deploy our responsible investment approach:

**Corporate issuers**:

o Climate change

- Greenhouse gas intensity and emissions, scopes 1 and 2 (PAI 1 & 3)
- Exposure to companies active in the fossil fuel sector (PAI 4)
- Exposure to issuers that are not committed to adhering to the Paris Agreement (optional climate PAI 4)

o Human rights, business ethics and respect for human dignity

- Violation of fundamental ethical standards (PAI 10)
- Board gender diversity (PAI 13)
- Exposure to controversial weapons (PAI 14)
- Exposure to issuers with fragile anti-corruption processes (optional social/human rights PAI 15)

**Sovereign issuers**:

o Human rights, business ethics and respect for human dignity

- Exposure to countries implicated in human rights violations and subject to related sanctions (PAI 16)

As part of taking mandatory PAIs into account and defining our optional and priority PAIs, we relied on methodology and data from our external service provider, MSCI ESG Research.

From an operational standpoint, adverse impacts are taken into account in every aspect of our sustainability approach, including the exclusion policy, the analysis and selection process using ESG criteria, the engagement system and ESG reporting. For this product, we produce annual reports on all mandatory PAIs and optional PAIs chosen by the Management Company.

Our Policy for taking into account the principal adverse impacts in sustainability is available on our website: *https://am.fr.rothschildandco.com/en/responsible-investing/documentation/*

To supplement the above, the financial product considers additional PAIs that are directly aligned with the investment strategy:

- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises (mandatory Social PAI 11)

## What investment strategy does this financial product follow?

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

The objective of the sub-fund is to outperform the Stoxx 600® DR (C) index with dividends reinvested, over the recommended investment period of at least five years, by investing mainly in European companies committed to promoting the emergence of a more inclusive society and by implementing a socially responsible investment approach. The asset mix of this sub-fund may differ significantly from the composition of the benchmark index. The sub-fund aims to combine financial performance and social impact by promoting the emergence of a more inclusive society, with a particular focus on disability. Stock selection focuses on how well these societal challenges are integrated into corporate management strategies and the goods and services provided. Using management company research as its basis, it prioritises companies that can demonstrate good practices in their treatment of and interaction with all stakeholders, including suppliers, employees, communities and customers. The investment strategy entails selecting securities with growth potential higher than that of the benchmark based on the management company's research. Securities are chosen on the basis of fundamental analysis of companies' profitability, their market valuation, analysis of the economic environment, and extra-financial research. Stock selection will focus on five factors in particular: diversity, women, safety, communities, and people with disabilities. For each of these factors, an impact indicator is applied prior to portfolio construction: (i) the existence of programmes to promote diversity among the company's employees, as regards gender, religion, ethnicity, etc.; (ii) the presence of women in the company's governing bodies; (iii) workplace accidents; (iv) the development of community-based projects and philanthropic programmes to meet local needs; and (v) the existence of inclusion policies for people with disabilities within the company. Definition of the eligible investment universe is structured primarily around the exclusion of companies: which do not comply concurrently with (i) the principles of the United Nations Global Compact, (ii) the Rothschild & Co group's investment principles relating to thermal coal, (iii) the United Nations Guiding Principles on Business and Human Rights, and (iv) the OECD Guidelines for Multinational Enterprises; or which (v) do not have a due diligence policy on labour issues addressed by

International Labour Organization (ILO) fundamental conventions 1 to 8, (vi) are the subject of extremely severe or severe social controversies related to labour law (diversity, health, safety), are part of (vii) the armaments sector, (viii) the alcohol, tobacco, pornography or gambling sectors; and lastly (ix) the 20% of companies with the lowest rating in the Social pillar in the initial investment universe (described in the prospectus). ESG ratings are primarily sourced from an external data provider and are based on a best-in-class approach that favours the companies with the best ratings (from a best rating of AAA to CCC) within their business sector, without favouring or excluding any sectors. The sub-fund invests between 75% and 100% of its net assets in equities issued in European countries (directly held securities) across all market capitalisations and sectors, with a minimum of 75% in equities issued within the European Union. The currency risk to non-eurozone currencies is capped at 50% of net assets. The sub-fund may invest up to 50% of its net assets in non-eurozone securities, with or without the associated currency risk. The sub-fund may also invest: (i) between 0% and 10% of its net assets in fixed income and/or money market products from EU countries, and (ii) between 0% and 10% in UCI shares or units.

The fund implements a social impact strategy, seeking to promote the emergence of a more inclusive society by investing in companies that are the vectors of this change, both through their own active inclusion policies, but also through their activities to facilitate inclusion. Through its investments and an active engagement plan, the fund aims to promote the visibility and improvement of inclusion practices for those who are directly impacted.

The fund invests in companies that adopt good practices in their treatment of and interaction with all stakeholders, and that have inclusion commitments for minorities such as women, people with disabilities, the elderly, young people, those undergoing retraining and those from diverse social backgrounds and the LGBTQIA+ community.

We analyse the business activities of companies, prioritising those that are best placed to meet this collective challenge of inclusion, through their products and/or services that seek to facilitate responses to inclusion issues, such as education and training, physical and mental health, furniture and equipment adapted to people with disabilities and/or elderly people, and gender-neutral clothing.

Please refer to the prospectus for further information.

## What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

**Adherence to our common exclusion framework**

o Regulatory exclusions: controversial weapons, international sanctions and non-cooperative tax jurisdictions
o Discretionary exclusions: United Nations Global Compact (UNGC), thermal coal and tobacco

**Integrating material ESG criteria into the analysis process**

o An assessment combining financial and ESG criteria: the integration of ESG criteria reflects the analysis process applied by each management team; it may be applied at sector or issuer level, and at management company and/or fund level, depending on the asset class in question.

**Adherence to sustainability requirements at portfolio level**

o Target ESG score of at least BBB
o Minimum sustainable investments
o Minimal coverage of ESG ratings (90%)
o The following standards-based exclusions: the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the Fundamental Conventions of the International Labour Organization
o Exclusion of the lowest-scoring 20% of issuers with respect to the S pillar from the investment universe

o Exclusion of companies involved in the most serious social controversies
o Exclusion of companies from the weapons sector, across its entire value chain, and more specifically conventional and nuclear weapons
o Exclusion of companies deriving part of their turnover from alcohol, gambling and pornography
More information on the fund and its investment strategy can be found in the Transparency Code (Direct Management), which is available on the website

**Active engagement**

- Dialogue primarily focused around our top-priority themes (climate transition, data transparency and other sector-based material themes, etc.) and controversies
- A responsible voting policy for the entire equity scope
- Active participation in multiple industry working groups (Institut de la Finance Durable, AFG, FIR, Climate Action 100+, etc.) on key sustainable issues (climate transition plan, biodiversity, fossil fuels, fair transition, etc.)

The ESG ratings mainly come from a data provider called MSCI ESG Research, which rates companies from CCC to AAA (AAA being the best rating).
ESG monitoring is ongoing, since ESG data is fully integrated into our operational systems.
Our entire value chain (compliance, risk, investment management and reporting teams) is covered by the same ESG data flow (updated on a quarterly basis), with ESG constraints and requirements encoded into every system. This allows us to monitor ESG data on a daily basis and in real time.
Our common exclusion framework is kept up to date and encoded into the operational systems with pre-trade blocks by compliance. Specific sustainability constraints and objectives at product level are the responsibility of the risk department.
The management teams have access to ESG data and can monitor their sustainability constraints via their Bloomberg portal every day. The impact of portfolio movements on sustainability requirements are continuously assessed by the investment managers as part of the portfolio allocation process.
Furthermore, regular meetings of the investment committee and risk committee offer an opportunity to assess the sustainability risks and ESG issues associated with specific issuers and/or portfolios.
In terms of handling controversies identified by Compliance or analysts, we have set up two controversy committees. The two committees handle different types of controversies, depending on their severity and nature. They determine how controversies should be escalated and monitor them.
Lastly, alerts covering rating changes and ESG controversies are implemented by MSCI ESG Research for the investment teams and control departments, and analysts monitor the latest news. In terms of handling controversies identified by Compliance or analysts, we have set up two controversy committees. The two committees handle different types of controversies, depending on their severity and nature. They determine how controversies should be escalated and monitor them. Details of the controversy monitoring process are available in the PAI Policy.
ESG reports are produced using the same ESG data flow, then validated by the investment teams.

## What is the policy to assess good governance practices of the investee companies?

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

To determine whether and when a company does not adopt, or no longer adopts, good governance practices, we have implemented a process on two levels:

Standards-based screening

In accordance with our common exclusion framework, sovereign and corporate issuers subject to international sanctions, located in non-cooperative tax jurisdictions or implicated in violations of the United Nations Global Compact are excluded from our initial investment universes for all our investment vehicles.

Assessment of good governance practices

The portfolio managers and analysis teams are responsible for assessing and monitoring the governance practices of the companies in which they invest.

To assess good governance practices, the investment teams consider factors including: governance data from MSCI ESG Research, commitment to international codes of conduct (e.g. UNGC signatory), analysis of issuers' transition plans through the involvement of governance, the degree of independence and diversity on the board of directors, controversies and the history of senior management and representatives of the board of directors.

Governance data from MSCI ESG Research include two sub-themes: corporate governance and corporate behaviour. The topics addressed within each of these categories include sound management structures, remuneration matters, employee relations and tax compliance. The governance aspect of our definition of sustainable investment is based on these issues.

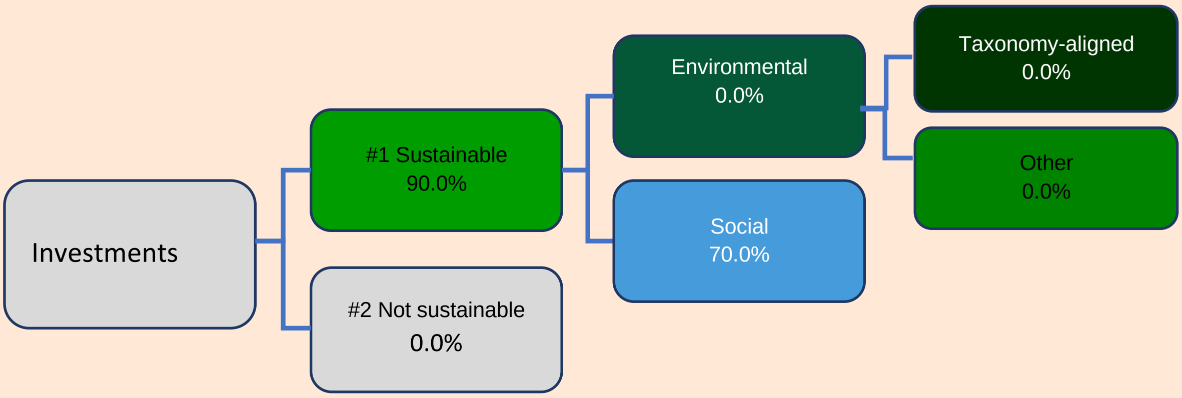
We view the assessment of good governance practices as an ongoing process. Investment teams are encouraged to engage directly with companies on their governance practices.

## What is the asset allocation and the minimum share of sustainable investments?

**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.




#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

The asset allocation figures presented above are pre-contractual minimums expressed as a percentage of the net assets; they are not a forecast of a target allocation. For information on the percentages achieved, please refer to the annual report.

As part of its social approach, the strategy may take opportunities to contribute to the six environmental objectives according to the EU criteria, through companies that have lasting positive effects for the environment. The minimum alignment commitment of investments, including activities making a substantial contribution and enabling and transitional activities, is 0%.

### How does the use of derivatives allow for the attainment of the sustainable investment objective?

The fund does not use derivatives.

## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The applicable criteria for **fossil gas** to be considered aligned with the EU Taxonomy include restrictions on emissions and a transition to fully renewable energy sources or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive rules regarding nuclear safety and waste management.

**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.

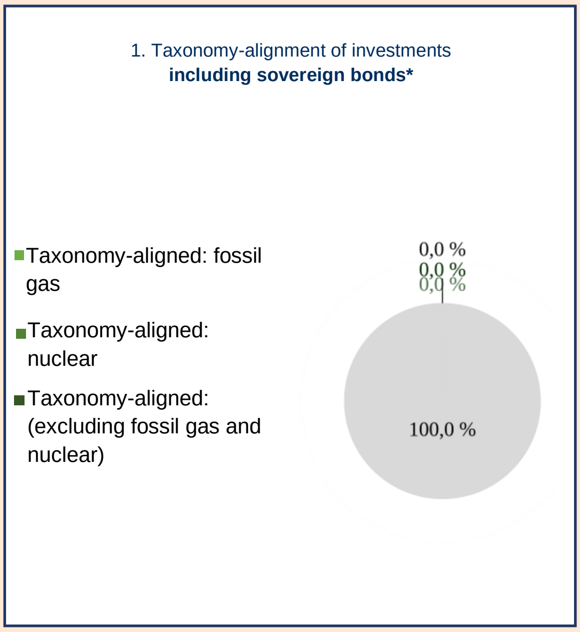
## Does the financial product invest in nuclear and/or fossil gas related activities that are aligned with the EU Taxonomy[1]?

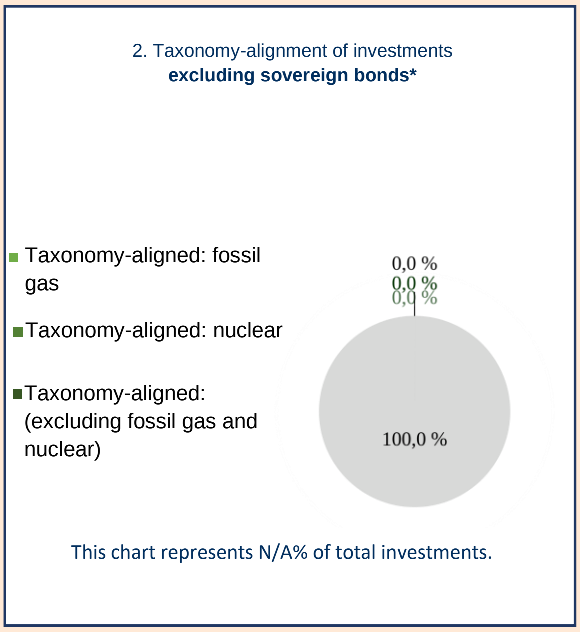
☒ Yes

☒ In fossil gas ☒ In nuclear energy

☐ No

The graphs below show in green the percentage of investments that were 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.




* 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 minimum share in enabling and transitional activities is 0%.

are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

# What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Within the minimum invested in sustainable investments, the share of investments with an environmental objective that are not aligned with the Taxonomy is 0%.

[1] Activities related to nuclear and/or fossil gas related activities will only be considered Taxonomy-aligned if they contribute to climate change mitigation and do no significant harm to any of the objectives of the EU Taxonomy – see the explanatory note in the left-hand margin. All criteria applicable to economic activities in the nuclear and/or fossil gas related activities that are aligned with the EU Taxonomy are defined in Commission Delegated Regulation (EU) 2022/1214.

## What is the minimum share of sustainable investments with a social objective?

Within the minimum invested in sustainable investments, and in light of the social sustainability objective pursued by the fund, the share of investments with a social objective will be at least 70% of net assets.

## What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

The financial product may invest up to 10% of its net assets in cash on an ancillary basis. Cash may be invested in money market funds managed by our management company, in accordance with our ESG policy and where we have complete transparency.

## Is a specific index designated as a reference benchmark to determine whether the sustainable investment objective has been attained?

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.

How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?

N/A

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?

Further details on the financial product are available in the prospectus, the ESG policy, the Transparency Code (Direct Management) and the policies for taking into account PAI and sustainability risks, which are available on our website: https://am.fr.rothschildandco.com/en/responsible-investing/documentation/