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: Essor USA Opportunities

Legal entity identifier: 96950065PDYRO307L973

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective**: [N/A] ☐ 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**: [N/A]	☒ 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 30.00% 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 environmental and/or social characteristics are promoted by this financial product?

Through our work and MSCI ESG Research, we consider a broad spectrum of criteria relating to the E pillar (physical risks linked to climate change, water stress, waste management, etc.) and S pillar (staff training, product safety, auditing production practices, etc.) as part of our general approach.

Sustainability indicators are used to verify how the environmental or social characteristics promoted by the financial product are attained.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The sustainability indicators used ex post to demonstrate the promotion of the environmental and/or social characteristics 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

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?

A sustainable investment may be 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/*

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).

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 the sustainable investments that the financial product partially intends to make, 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.

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/*

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:

As per our definition of a sustainable investment for corporate issuers, we check to ensure that there are no violations of the United Nations Global Compact (UNGC) or OECD Guidelines for Multinational Enterprises. To that end, we use an overall controversy indicator measuring the company's past and current involvement in violations of international standards. The regulatory frameworks considered include the following: the United Nations Global Compact (UNGC), the United Nations Guiding Principles on Business and Human Rights, the Conventions of the International Labour Organization (ILO) and the OECD Guidelines for Multinational Enterprises.

Moreover, for all the Management Company's investments, we exclude companies suspected of violating the ten fundamental principles of the United Nations Global Compact (UNGC).

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives And which 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, ☐ 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)

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, exclusion policy and ESG reporting. For this product, we report annually 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/

What investment strategy does this financial product follow?

The portfolio is actively managed on a bottom-up basis relying largely on direct contact with companies; it is not index to its benchmark.
Between 90% and 100% of the portfolio will be exposed to regulated US equity markets. At least 50% of the portfolio will be invested in the shares of companies listed on regulated US markets, of all market capitalisations (including small/micro caps), and selected on the basis of research and fundamental financial ratios.

Please refer to the prospectus for further information.
Please refer to the prospectus for further information.

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

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?

Adherence to our common exclusion framework
o Regulatory exclusions: controversial weapons and international sanctions
o Discretionary exclusions: United Nations Global Compact (UNGC) and thermal coal

Adherence to sustainability requirements at portfolio level
o Target ESG score of at least BBB
o Minimum level of Taxonomy-aligned and sustainable investments
o Minimal coverage of ESG ratings:

- 90% of the portion of net assets invested in equities issued by companies with a market capitalisation of over EUR 10 billion that have their registered office in a developed country, debt securities and money market instruments with an investment grade credit rating, and sovereign debt issued by developed countries,
- 75% of the portion of net assets invested in equities issued by companies with a market capitalisation of less than EUR 10 billion, and debt securities and money market instruments with a high-yield credit rating.

o The ESG rating of the portfolio is higher than the rating of the initial investment universe
o Exclusion of companies that do not comply with the Biological Weapons Convention and the Chemical Weapons Convention
o Exclusion of companies in the tobacco sector.

Active engagement
o Dialogue primarily focused around our top-priority themes (climate transition, inclusion and fair transition, etc.) and controversies,
o A responsible voting policy for the entire equity scope.

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. The impact of portfolio movements on sustainability requirements are continuously assessed by the investment managers as part of the portfolio allocation process.

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

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The initial investment universe is not reduced using a fixed selectivity rate, determined upstream of the investment process. However, the investment universe is reduced on the basis of regulatory exclusions, as well as our Management Company's discretionary exclusions.
In addition to the above, the following exclusions reduce the investment universe even further:

- Exclusion of companies that do not comply with the Biological Weapons Convention and the Chemical Weapons Convention
- Exclusion of companies in the tobacco sector
- Exclusion of companies involved in thermal coal

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

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:

<u>Standards-based screening</u>
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.

<u>Assessment of good governance practices</u>
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 planned for this financial product?

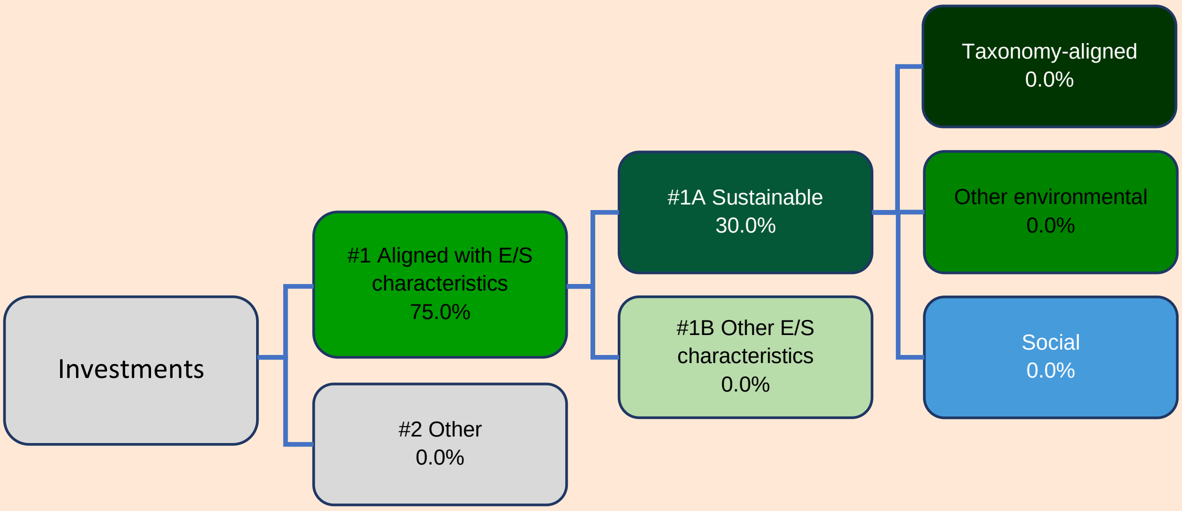
Asset allocation describes the share of investments in specific assets.

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.



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

While the product is committed to a minimum level of sustainable investment, no allocation between environmental and social objectives has been determined in advance, which explains the minimum of 0% for these two pillars. 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.

The underlying investments of the financial product that take into account the EU criteria for environmentally sustainable economic activities represent a minimum alignment commitment of 0% of investments.

A share of the financial product's net assets may be invested in instruments that do not promote environmental or social characteristics (cash, funds or derivatives). They provide technical support and uphold the fund's financial objective (hedging, movements of liabilities, etc.). Minimum ESG safeguards are applied in accordance with our sustainability approach. Details are provided in the response to the question on "other" investments below.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Interest rate and currency derivatives neither contribute to nor affect the environmental and social characteristics promoted by the financial product. Derivatives on other asset classes do not contribute to the attainment of the environmental and social characteristics, but may affect them. For the purposes of transparency, derivatives are not taken into account in the ratios presented above.

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 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]?

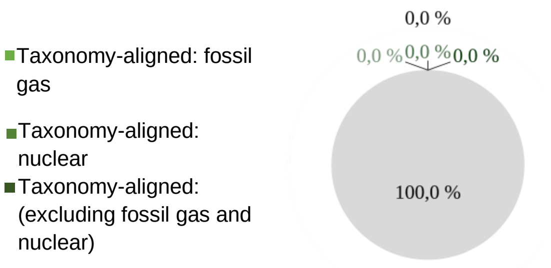
☒ Yes

☒ In fossil gas ☒ In nuclear energy

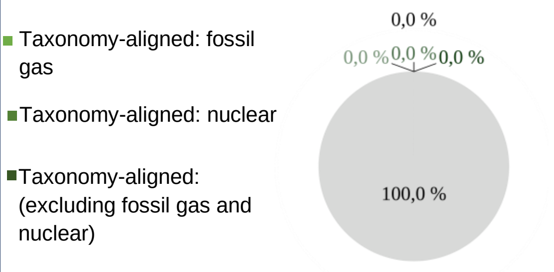
☐ No

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.

1. Taxonomy-alignment of investments **including sovereign bonds***



2. Taxonomy-alignment of investments **excluding sovereign bonds***



This chart represents N/A% of total investments.

* 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 sustainable investments with an environmental objective 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 minimum share of investments with an environmental objective that are not aligned with the Taxonomy is 0%. While the product is committed to a minimum level of sustainable investments overall, no allocation between environmental and social objectives has been determined in advance.

[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 socially sustainable investments?

Within the minimum invested in sustainable investments, the minimum share of investments with a social objective is 0%. While the product is committed to a minimum level of sustainable investments overall, no allocation between environmental and social objectives has been determined in advance.

What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

A share of the financial product’s net assets may be invested in securities that are not analysed with respect to ESG criteria. However, all investments adhere to the Management Company’s common exclusion framework, guaranteeing a baseline level of compliance with ESG principles.
The securities held in the portfolio, in accordance with the allocation levels stated in the prospectus, serve to further the financial product’s financial investment objective.
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 this financial product is aligned with the environmental and/or social characteristics that it promotes?

Reference benchmarks are indexes 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?

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 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/) and on the delegate's website (https://www.baronfunds.com/about#section-esg)