

**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 Valor 4Change Global Equity

Legal entity identifier: 969500JKALDOPJ9MGB36

## Sustainable investment objective

Does this financial product have a sustainable investment objective?

Yes

No

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: 0.00%**

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/>

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:

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

- 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).

In particular, the fund's primary sustainability objective encompasses the following:

- combatting global warming,
- protecting biodiversity,
- information security and protecting personal data,
- transparency and good governance,
- integrating international human rights frameworks by investing in companies from any sector that are committed to limiting their negative impact.

## 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 sustainable performance indicators that are directly aligned with its sustainability objective:

- Carbon intensity, calculated using the carbon emissions (tonnes of CO<sub>2</sub>; scopes 1 and 2) it takes to generate EUR 1 million in turnover; the fund must outperform its initial investment universe on this indicator, with a coverage rate of 90%;
- Water consumption, calculated using the number of cubic metres it takes to generate EUR 1 million in turnover;
- Controversies linked to information and data security, calculated using the existence of significant controversies regarding the use of personal data;
- Detailed anti-corruption policies;
- Signatories to the United Nations Global Compact; the fund must outperform the initial investment universe, with a coverage rate of 70%.

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

## 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.

**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.

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, conventional and unconventional oil and gas, electricity generation, 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:

- Emissions to water (mandatory Climate PAI 8)
- 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 investment objective of this sub-fund (hereinafter also referred to as the “fund”), which comes under the “International equities” category, is to achieve performance, net of management fees, over the recommended investment horizon of at least five years, above that of the benchmark, the MSCI ACWI Net Total Return EUR Index, by implementing discretionary management combined with a socially responsible investment approach that entails investing in companies incorporating sustainability best practice in the following five areas: combatting global warming, protecting biodiversity, information security and protecting personal data, transparency and good governance, and integrating international frameworks relating to respect for human rights. The asset mix of the fund may differ from the composition of the benchmark. The fund invests mainly in directly held securities and has an active engagement policy.

The selection criteria for securities are structured as follows: (1) Definition of the eligible investment universe: the exclusion of companies (i) that do not comply with the fundamental principles of the United Nations Global Compact, and at the same time, (ii) do not comply with the fundamental Conventions of the ILO, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises or the Rothschild & Co group’s investment principles relating to thermal coal; and (iii) the exclusion of the 20% of issuers with the lowest ESG scores in the initial investment universe (described in the prospectus) – ESG scores mainly come from an external data supplier and are based on a best-in-class methodology favouring the companies with the highest scores [between AAA (best score) and CCC] within their business sector, without favouring or excluding any sectors; and (iv) the exclusion of issuers with exposure to certain controversial sectors, namely weapons, tobacco, pornography, gambling, coal

mining, conventional and unconventional oil and gas, and electricity generation. The ESG scores reflect, for each pillar: Environmental: physical risks related to climate change, waste management, etc.; Social: employee training, product safety, etc.; and Governance: level of independence of the board, anti-corruption policy, etc.

(2) In addition to the exclusions outlined, the selection process combines top-down and bottom-up approaches by continually and simultaneously integrating financial and ESG parameters as part of macroeconomic analysis and qualitative research. The fund seeks to invest in companies that are committed to limiting their adverse impact by adopting the most sustainable practices in the five areas listed in the investment objective.

The fund invests: (i) between 80% and 100% of the net assets in equities from all geographical regions, up to 100% in non-OECD countries including emerging markets, and all market capitalisations, up to 20% in small caps (including micro caps); (ii) between 0% and 10% of the net assets in fixed- or variable-rate fixed-income products, including convertible bonds, even on unrated and high-yield securities; (iii) between 0% and 10% of the net assets in funds (including listed funds/ETFs). The fund may use forward financial instruments traded on French and foreign regulated or over-the-counter markets (currency forwards, and futures and options on equities, currencies, or indices) in order to achieve its investment objective. To do this, it hedges its portfolio and/or exposes it to business sectors, geographical regions, currencies, equities and equivalent securities, and indices. The portfolio's overall equity market exposure, including exposure resulting from the use of forward financial instruments and securities with embedded derivatives, will be between 60% and 100% of net assets. The portfolio's exposure to foreign exchange risk, including exposure resulting from the use of forward financial instruments, will be between 0% and 100% of net assets.

The fund seeks to invest in companies from any sector that are committed to limiting their negative impact by adopting the most sustainable practices in the following five areas:

- Combatting global warming: carbon intensity (an essential metric in terms of meeting global warming reduction objectives);
- Protecting biodiversity: water consumption, which illustrates growing awareness of the challenge, especially for sectors such as commodities, utilities, industry and consumer goods;
- Information security and protecting personal data: in an era in which data is omnipresent, this indicator does not concern the technology sector alone. The array of controversies that have come to light underscore the importance of a data management strategy that is beyond reproach for the financial, industrial and consumer discretionary sectors, among others;
- Transparency and good governance: detailed anti-corruption policies. This indicator must be taken into account where companies are exposed to significant risks from either a sectoral or geographical point of view;
- Integrating international human rights frameworks: signatories to the United Nations Global Compact, in which companies commit to promoting and respecting human rights, complying with international labour laws, combatting corruption and protecting the environment.

The analysis is used to assign a transition and/or best performer profile to the issuer in relation to one or more issues.

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 Exclusion of the lowest-scoring 20% of issuers with respect to ESG from the investment universe;

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 issuers belonging to the following “controversial” sectors: thermal coal, conventional and unconventional oil and gas, electricity generation, 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.

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

## 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:

### 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?

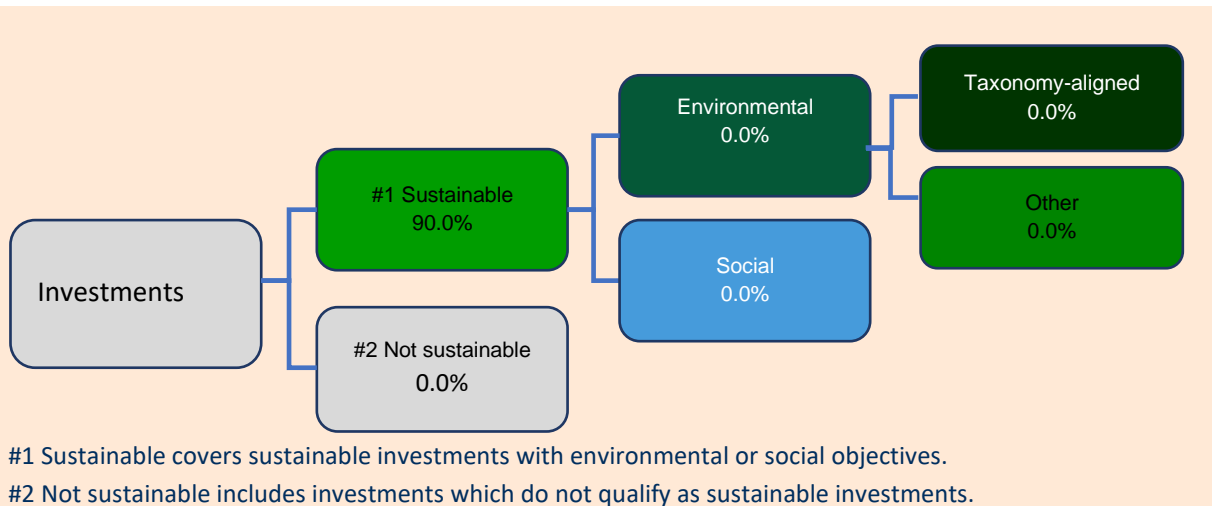
**Asset allocation** describes the share of investments in specific assets.

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.



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 this approach, the sub-fund will contribute to the following efforts, among others:

- climate change mitigation,
- adapting to climate change,
- sustainable use and protection of aquatic and marine resources,



- protecting and restoring ecosystem biodiversity,

according to EU criteria for environmentally sustainable economic activities, 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?

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?

Does the financial product invest in nuclear and/or fossil gas related activities that are aligned with the EU Taxonomy<sup>1</sup>?

Yes

In fossil gas

In nuclear energy

No

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.

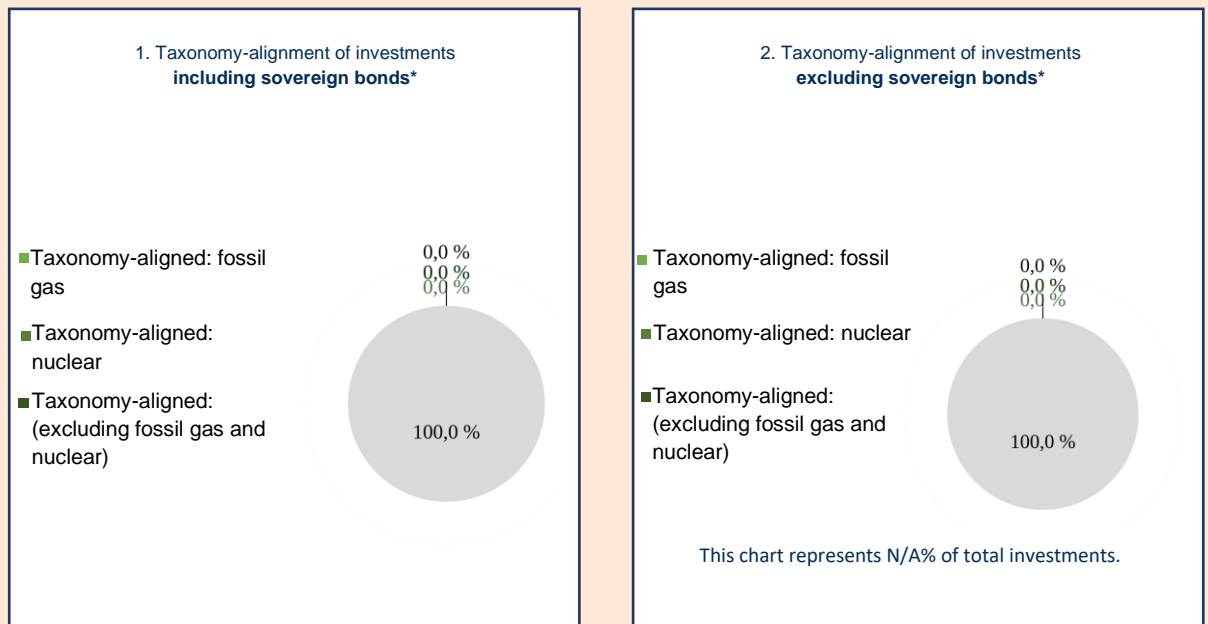
**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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<sup>1</sup> 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.




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%.

 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%.

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

Within the minimum invested in sustainable investments, the share of investments with a social objective is 0%.

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

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

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/>