



Exclusion policy relating to Fundamental Principles, UNGC

2024

As engaged investors we want to play an active role in influencing business practices and drive investment flows towards the most sustainable players. As part of the group's ESG investment integration framework, we are implementing an exclusion policy relating to Fundamental Principles.

This policy is part of a comprehensive Responsible Investment framework for Asset Management activities and is:

- Aligned with our approach to ESG criteria integration among our investment strategies;
- Part of a response to the risks induced by ESG controversies for our investors;
- Representative of our desire to contribute to the transition to a more sustainable economy.

This exclusion policy applies to our various Asset Management investment activities. It also covers managed accounts and dedicated funds. Some issuers held may be subject to exceptions, in the event that the management company is required to respect the constraints or choices expressed by the client on its dedicated vehicle, and may possibly conflict with these principles.

This policy does not apply to index-linked structured products.

Defining Fundamental Principles breaches:

We exclude companies in violation of the Ten Principles of the United Nations Global Compact (UNGC):

- Human Rights
 - Businesses should support and respect the protection of internationally proclaimed human rights; and
 - make sure that they are not complicit in human rights abuses.
- Labour
 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 - the elimination of all forms of forced and compulsory labour;
 - the effective abolition of child labour;
 - the elimination of discrimination in respect of employment and occupation.
- Environment
 - Businesses should support a precautionary approach to environmental challenges;
 - undertake initiatives to promote greater environmental responsibility; and
 - encourage the development and diffusion of environmentally friendly technologies.
- Anti-Corruption
 - Businesses should work against corruption in all its forms, including extortion and bribery.

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. Compliance with these principles is based on information from our extra-financial data provider MSCI ESG Research. The list of issuers concerned is updated quarterly.

This exclusion policy is implemented according to the following rules:

Direct management of listed and non-listed assets⁽¹⁾

- No new investment is made in companies involved in a violation of the Ten Principles (blocking in place at the entity level) as defined above;
- Where companies we are already invested in are involved in a violation of the Ten Principles, we will cease to invest within 1 month for products classified as Article 9 under the SFDR regulation, and 3 months for others.

(1) The implementation process had to be slightly adapted to meet specific constraints of sector funds with a highly concentrated index. Any exception to this process must be validated by the Executive Committee.

Indirect management, listed and non-listed funds of funds

When we do not invest in individual companies but rather in funds or funds of funds, the implementation of this exclusion policy is more complex. Therefore:

- We integrate into our funds selection process the analysis of the exclusion policy relating to Fundamental Principles implemented by fund managers.
- We have defined, at the level of listed funds of funds, a residual threshold of 1% maximum of real exposure to violating companies, present in products whose composition is linked to indices, or/and in underlying actively managed funds that do not apply a fundamental principles exclusion policy.

Only illiquid funds (such as private equity funds) and those linked to commodities, as defined in the Rothschild & Co Asset Management buy list or by the Private Assets activity, are excluded from this framework for technical reasons (lack of data transparency, concentration of the universe, composition of indices, etc.). These funds continue to be subject to engagement to set up a policy or to discuss their possible exposure. They are nonetheless subject to international sanctions and reputation checks by the Compliance Department. Since 2022, the Private Assets activity has raised its fundamental principles requirements in its funds selection, systematically verifying with its stakeholders the existence and implementation of an exclusion policy, or where appropriate through the signing of a cover letter when possible. In all cases, we always make our best efforts to find the alternative that best respects our investment principles regarding fundamental principles.

In delegated management

For direct investment, our exclusion policy applies to the delegated management company by delegation for the part of the portfolio that is delegated to it.

For delegates investing in mutual funds, the latter (with the exception of certain strategies for the technical reasons explained above) must apply the fundamental principles exclusion policy defined by the delegates.

This exclusion policy relating to fundamental principles is published on the website of the management company Rothschild & Co Asset Management. It is updated annually.

Non-promotional document.

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About the Asset Management's division of Rothschild & Co

As the specialised asset management division of the Rothschild & Co group, we offer personalised asset management services to a broad client base of institutional investors, financial intermediaries and distributors. Our development is focused on a range of open-ended funds, marketed under four strong brands: Conviction, Valor, Thematic and 4Change, and leveraging our long-term expertise in active management with conviction as well as in delegated management. More information at: www.am.eu.rothschildandco.com



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