



# Exclusion policy relating to Fundamental Principles

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, but it 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; and
  - 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.

# Where we conclude that exclusion is appropriate we will act according to the following rules:

## **Direct management of listed and non-listed assets<sup>(1)</sup>**

- No new investment is made in companies involved in a violation of the Ten Principles 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 18 months.

## **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 alternative, illiquid funds (such as private equity funds) and those linked to commodities, as defined in the Rothschild & Co Asset Management Europe 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. 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) 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 Europe. It was updated in 2022.

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(1) The implementation process had to be slightly adapted to meet the specific constraints:

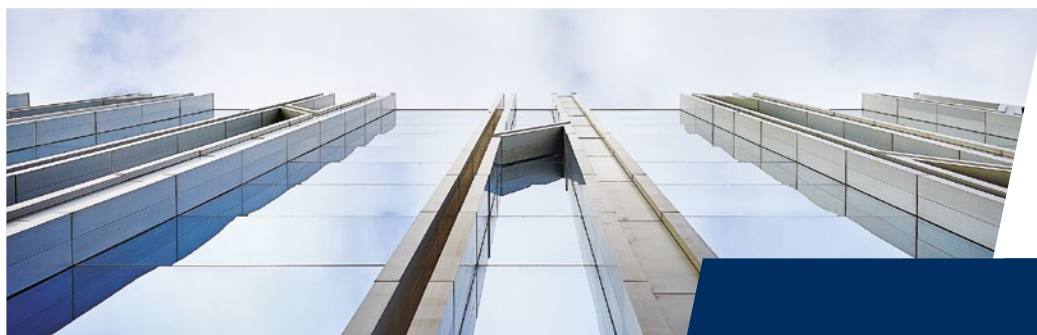
- sector funds compared to a highly concentrated index
- the R-co Euro High Yield fund with a relative value strategy compared to a benchmark that may have over-represented issuers compared to the average


## **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. Based in Paris and established in 10 European countries, we manage more than 22 billion euros and employ nearly 150 people. More information at: [www.am.eu.rothschildandco.com](http://www.am.eu.rothschildandco.com)



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