Rothschild & Co
Asset Management

Article 29 report under the French Energy-Climate Law

Rothschild & Co Asset Management Europe

Financial year 2022

Foreword

The French Energy and Climate Law of 8 November 2019 introduces a regulatory framework designed to further transform efforts in sustainable development. Article 29 reinforces the requirements of Article 173 of the French law on Energy Transition for Green Growth, on the management of risks linked to climate change and the inclusion of environmental, social and governance (ESG) issues in investment policy.

It also aligns and completes the requirements of the European framework laid down by Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 - the so-called "Disclosure" or SFDR Regulation, as well as by Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 - the "European Taxonomy", to our national law.

As a result, management companies must publish an information report on the risks associated with climate change and biodiversity, in addition to disclosing information on sustainable investments and sustainability risks.

Accordingly, we provide our investors with a report outlining our sustainable approach, our actions, commitments and ambitions in terms of integrating sustainability issues and environmental, social and governance quality criteria, as well as the resources we have deployed to contribute to the energy and ecological transition, the fight against climate change and the preservation of biodiversity.

This report is also part of a process of transparency towards investors, in terms of criteria, methodologies and investment. Article 29 of the French Energy-Climate Law incorporates the "comply or explain" principle, which we are likely to apply when we are unable to fully comply with the provisions of this article.

The report covers the Rothschild & Co Asset Management entity, as well as funds with assets under management in excess of €500 million at 30/12/2022, i.e. the following funds and their assets under management (in € million):

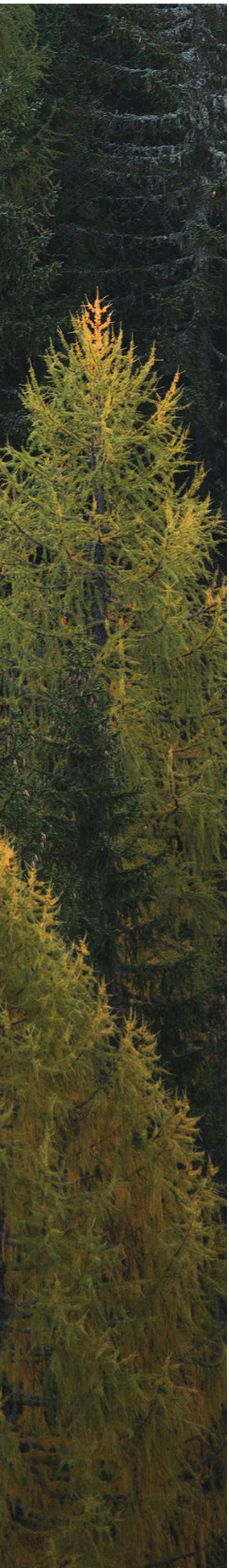
R-co Conviction Credit 12M Euro	501
R-co Conviction Credit Euro	1309
R-co Conviction Equity Value Euro	632
R-co Valor	3184
RMM Court Terme	949
RMM Tresorerie	1704
OPC obligataire dédié	712

It will be published annually.

Through this report, we wish to (i) review our sustainable approach, (ii) take stock of how we are addressing the challenges of climate change and biodiversity in 2022, and (iii) present our ambitions and improvement plans for the future, in line with the regulatory requirements of the Article 29 decree.

This is the second report we have published.

This report incorporates recommendations by the Task Force on Climate-related Financial Disclosures (TCFD).



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The structure of this report is based on the provisions of Article 29:

Our engagement in a few figures

Sustainability

100%
of ESG integration

97%
of our open-ended funds are Article 8 or 9 SFDR

4
impact strategies

5
SFDR Article 9 funds

10
labelled funds

Engagement

268
dialogues in 2 years

204
channels of improvement

98%
of attendance in AGMs / EGMs in 2022

Source: Rothschild & Co Asset Management, 30/12/2022.

Employees

48%
of women
in total workforce

36%
of women in
investment teams

35
FTEs working
on tackling
sustainability
issues

Climate & biodiversity

100%
of assets valued
using carbon
indicators

60%
of assets valued
based on climate
risks

69%
of assets valued
according to
their carbon
and biodiversity
footprint

60%
of assets under
management
covered by our
engagement
to Net Zero
Asset Managers
Initiative

75%
of companies
with objectives
aligned with a
1.5°C scenario by
2030

Source: Rothschild & Co Asset Management, 30/12/2022.

Our sustainable approach

1

A sustainable approach to performance

Initiated more than a decade ago, our approach to sustainability is consistent with our management DNA, i.e., creating value for our clients by anticipating structural evolutions in the market. As conviction-based fund managers, we are guided in our investment decisions by three key principles:

1

Integrating sustainability issues into financial analysis

Sustainability criteria are not only extra-financial but must be integrated into the overall analysis of an asset as major contributors to the performance. That's why we decided to combine both financial and ESG analysis. Having convictions means going beyond a regulatory vision or an "extra-financial process" to establish a more comprehensive evaluation of the robustness and relevance of a business model, the credibility of a strategy, and the ability to contribute to the transformation towards a more sustainable world.

2

Supporting all economic players through a transition approach

We believe that the transition towards a more sustainable world requires integrating all sectors, including the least virtuous. Even so, embracing a transition goal requires rigorous analysis combined with a long-term vision. We are convinced that by supporting companies from all industries we will achieve a more significant sustainable impact, which shall be associated with a significant increase in market value.

3

Participating in the development of a more inclusive economy

A long-lasting transition can only be achieved through a socially acceptable process. Our approach intends to articulate the environmental and social dimensions consistently. We believe that a more sustainable model is based on a more inclusive economy in which all people, particularly the most vulnerable, are fully integrated and contribute to its development.

We want to encourage companies in our portfolios to adapt their practices and steer their financial flows towards actors that integrate these challenges into their strategies and offer concrete solutions.

At a time when investors are being encouraged to invest massively in sustainable themes, we have chosen to develop a transition approach that allows us to invest in all sectors and to combine our support to companies' sustainable transformations with our financial returns objectives.

These three principles are applied to all our investment expertise according to investment strategies' levels of sustainability integration.

Plus de 10 ans d'intégration des enjeux de durabilité

2022

New biodiversity data provider (Carbon4 Finance & CDC)

Involvement in the Finance for Tomorrow working group dedicated to biodiversity

Participation in 2DII and ADEME working group on financial product environmental communications relating

Member of 1% for the planet

Publication of our NZAM goals

Publication of our fossil fuel investment principles

FIR "Say on Climate" forum

2021

96% of AuM in open-ended funds classified SFDR Article 8 or 9 and 86% in AMF Categories 1 & 2

New ESG data providers (Carbon4 Finance & EthiFinance)

10 labelled funds, including 2 funds of funds

Member of Finance for tomorrow, Investors for a Just Transition coalition, the Net Zero Asset Managers Initiative, and the fossil fuels working group of the French Asset Management Association (AFG)

Partnerships with Polar Pod and Café Joyeux

Signatory to the UN Global Compact, at Rothschild & Co Group level

2020

Rothschild & Co's sustainable investment roadmap

Rothschild & Co Group's thermal coal investment principles

2019

4Change SRI labelled product range

Member of "Climate Action 100+"

Rothschild & Co's Group Sustainable Investment Committe

2018

Launch of R-co 4Change Green Bonds and R-co 4Change Moderate Allocation funds, both Towards Sustainability-certified

2017

New ESG data provider (MSCI ESG Research)

Signatory to the CDP (Carbon Disclosure Project), at Rothschild & Co Group level

2015

Launch of the work on carbon and social issues

2012

ESG rating tool for portfolios

2011

Signatory to the UN PRIs

ISS sustainable voting policy implementation

A common sustainable approach to all our products and all our asset classes

A common exclusion framework

- Regulatory exclusions: controversial weapons (cluster bombs, land mines, biological and chemical weapons) and international sanctions
- Discretionary exclusions: United Nations Global Compact (UNGC) and thermal coal

Integrating material ESG criteria into analysis processes

- The use of 3 ESG data providers: MSCI ESG Research, EthiFinance and Carbon4 Finance
- An evaluation combining financial and ESG criteria
- The integration of ESG criteria is adapted to the analysis process of each investment team and can be applied at the sector level as well as at the issuer level, depending on the asset class.

Sustainable requirements in portfolios

- Minimum BBB ESG rating objective
- Minimum ESG data coverage and ESG rating higher than that of the investment universe - for the majority of our directly managed open-ended products
- Minimum of sustainable and of taxonomic investments - for Articles 8 & 9 products under SFDR regulation

Active engagement

- A dialogue focused on our priority themes (climate transition, inclusion and just transition, etc.) and controversies
- A responsible voting policy on 100% of the equity scope
- Active participation in several working groups (Institut de la Finance Durable, AFG, FIR, FAIR, Climate Action 100+, etc.) on strategies set up in the portfolios (impact, biodiversity, fossil fuels, just transition, etc.)

A detailed ESG reporting (1)

- ESG profile (ESG rating, rating trends and breakdown by sector)
- Carbon intensity (deviation from indices, sectoral contribution and identification of main contributors)
- Transition profile (exposure to “stranded assets”, reduction targets, green share, etc.)
- Governance: representation of women on the Board of Directors
- Sustainable Development Goals (SDGs): percentage aligned with SDGs

(1) Except for category 3 products in accordance with AMF doctrine DOC-2020-03.

Range of products from integration to impact

All our dedicated and open-ended management capabilities and investment vehicles are part of our sustainable approach. We seek to set up a pragmatic approach that is suited to all our investment strategies. Three levels of intensity have been structured to best address the specific features of each investment expertise and to offer our clients a diverse range of investment solutions integrating sustainability challenges:

ESG integration: 100% of Rothschild & Co Asset Management products

All Rothschild & Co Asset Management products are managed in line with exclusions, portfolios ESG objectives (i.e., an ESG score greater than, or equal to, BBB) and come with a detailed ESG report(1).

Some products have adjusted exclusion processes, detailed in our exclusion policies, in line with the specific features of the asset class and/or management strategy. This applies to sector and illiquid strategies. Funds of funds under delegated management comply with the delegatee's exclusion policies.

In order to appreciate risk exposure and practices that are in place within the industry, our research process is based on external ESG assessments (MSCI ESG Research, EthiFinance) and more in-depth analysis on the sector and/or issuer by internal teams.

Controversies are also integrated and constitute a key element of the engagement process, on top of the responsible exercise of our voting rights.

This common framework contributes to better protect our portfolios from sustainability risks and to disseminate good practices in terms of ESG criteria integration. We seek to gradually integrate relevant investment mechanisms that are rolled out as part of our SRI investment strategies.

SRI management: 10 labelled funds

Since 2018, we have been managing labelled socially responsible investment strategies as part of dedicated products and our "4Change" range of open-ended funds. These are based on enhanced sustainable selection criteria, additional exclusions, specific engagement programs and can be dedicated to specific sustainable thematics (Net Zero, Green Bonds, Inclusion & Disability).

Launched in 2019, the "4Change" range aims to combine financial performance with enhanced selection based on sustainability factors. Aligned with the most demanding European standards(2), it includes 10 ISR and/or “Towards Sustainability” labelled funds and covers all asset classes and geographical areas. It constitutes a demonstration of our know-how and our commitment in favour of specific sustainability challenges.

(1) Except for category 3 products in accordance with AMF doctrine DOC-2020-03.

(2) a) Labelled funds have AFG-Eurodif transparency codes. b) Investments in sustainable bonds (green bonds, social bonds and sustainability bonds) all comply with the principles laid down by the International Capital Market Association (ICMA), namely the Green Bond Principles "GBP", the Social Bond Principles "SBP" and the Sustainability Bond Guidelines "SBG".

	Equity/Multi-management		Diversified	Fixed-Income
Eurozone	R-co 4Change Net Zero Equity Euro SFDR Article 9	R-co 4Change Equity Euro SFDR Article 8		R-co 4Change Net Zero Credit Euro SFDR Article 9
Europe	R-co OPAL 4Change Equity Europe SFDR Article 8	R-co 4Change Inclusion & Handicap Equity SFDR Article 9	R-co 4Change Moderate Allocation SFDR Article 8	R-co 4Change Convertibles Europe SFDR Article 8
World	R-co OPAL 4Change Sustainable Trends SFDR Article 8	R-co Valor 4Change Global Equity SFDR Article 9		R-co 4Change Green Bonds SFDR Article 9

Impact investing: 4 open-ended funds

By embracing the three principles of impact investing (intentionality, additionality and measurability), our ambition is to generate positive impacts through a selection of issuers with a significant potential to improve their social and environmental practices. The themes currently addressed: reduction of carbon emissions according to a "Net Zero" scenario, green bonds, inclusion and disability.

Integrating ESG criteria into direct investment management

We use quantitative data from external providers, especially MSCI ESG Research since 2017, which assigns ratings based on a best-in-class approach and a materiality analysis. In line with our transition approach, MSCI ESG Research's best-in-class philosophy allows us to select issuers in all sectors.

In 2021, we have upgraded our ESG data architecture with two new data providers:

- EthiFinance, providing ESG ratings on request and helping optimise ESG coverage of portfolios.
- Carbon4 Finance, offering a set of carbon data and in-depth temperature profiles. In 2022, we extended this partnership to include CDC Biodiversité's biodiversity footprint data.

We also use broker studies (JPMorgan, Exane, Goldman Sachs, Barclays, Morgan Stanley, Oddo, etc.), as well as academic, scientific and supranational research, NGO reports, and open-access databases (SBTi, TPI or CDP). Bloomberg is also a complementary tool.

These elements may be combined with investment cases realized by our analyst teams on issuers and/or sectors represented in portfolios. The analysts also use companies' publicly available data and integrate elements from discussions with company representatives.

We seek to identify relevant "out of scopes" information in our ex-ante ESG profiles analysis and in the ex-post trajectory assessment of the issuer and/or industry. They are based on key impacts and dependencies, such as : controversies (type, severity and recurrence), externalities (carbon/toxic emissions, water consumption, destruction of biodiversity, accidents, layoffs, temporary contracts, fraud, etc.), and contributions (taxonomic alignment, participation in the United Nations Sustainable Development Goals "SDGs", temperature in accordance with the Paris Agreement, etc.).

More specifically, as part of our **direct equity management**, we have an internal rating system assigning a composite proprietary rating:

- Of their best-in-class ESG rating established by MSCI ESG Research, using a financial materiality approach,
- Of a series of impact indicators related to the Sustainable Development Goals, provided by non-financial rating agencies (such as MSCI ESG Research on the net contribution of issuers to the 17 Sustainable Development Goals, or Carbon4 Finance on carbon impact and biodiversity footprint), that we convert into a rating using an internal methodology, and
- Of their qualitative rating, established by our analysts according to predefined criteria, integrating the dimensions of financial materiality and impact materiality, and analyzed according to a transition approach through the evaluation of the business model.

It should be noted that sustainable issues are studied according to their relevance for the sector and/or the issuer and with the ambition to integrate the dual materiality, i.e. financial and impact. However, given the integration of mainly environmental data from Carbon4 Finance and CDC Biodiversité, a slight environmental bias may exist.

More specifically, as part of our **direct fixed income management**, an ESG integration process covering the life cycle of a bond in portfolio is implemented by the fixed income teams and the dedicated ESG analyst. The evaluation is based on 3 levels:

- Level 1 - at the time of primary (flow): Quantitative analysis to assess the issuer's eligibility, identify areas of risks and opportunities and the engagement topics at issuance
- Level 2 - Issuer in portfolio (stock): Qualitative analysis combining external data and internal assessment of strengths, weaknesses, threats and opportunities according to a risk, impact and materiality matrix
- Level 3 - during detention: Engagement and dialogue on key issues identified by the level 2 analysis, on major and normative controversies (UNGC)

Taking sustainability factors into account is an ongoing process. Internal assessments are at least updated annually but can also be updated more regularly, in case of events having major implications on material characteristics of the investment case.

Through our internal process and MSCI ESG Research ratings, we already consider a broad spectrum of ESG criteria on the E pillar (physical risks from climate change, water stress, waste management, etc.) the S pillar (employee training, product safety, audits of manufacturing processes, etc.) and the G pillar (ethical and commercial practices, risk of fraud or corruption, tax controversies, etc.) as part of our generalist approach.

Within our 4Change funds, some investment strategies are driven by additional specific criteria, with respect to the dedicated investment strategy thematic (Net Zero, Inclusion & Disability, Green Bonds).

Integrating ESG criteria into funds of funds

Within our open-architecture activity (funds of funds), we have also defined an approach that integrates ESG criteria into our selection process for long-only funds. We have set a unique due diligence questionnairethat integrates ESG criteria allowing us to benefit from a 360-degree analysis encompassing 3 axes of assessment, i.e., the ESG/SRI, investment and operational dimensions. It is conducted at the level of the portfolio management company and of the fund.

We assess the following elements in particular:

- The consideration of climate change risks and opportunities within the portfolio management company (existence of a CSR policy, systems for monitoring energy, water and paper consumption, commitments to reduce carbon emissions, etc.), in its investment processes and the company's ability to produce carbon data on its investments, for example.
- The management of human resources and the development of human capital: through our questionnaire and analysis, we seek to address specific criteria, such as the existence of formal employee satisfaction surveys, training structures (percentage of employees, hours of training per employee per year, etc.), as well as how challenges related to the presence of women in the company are considered and managed. We also verify the absence of social controversies and litigation between the company and its employees.
- The governance: we assess the quality and stability of decision-making bodies based on criteria, such as the degree of independence of the management committee, audit and control systems, compensation mechanisms (whether performance-based objectives exist and are related to the management of sustainable development challenges), the capital structure with regards of tax issues, the existence of regulatory litigation, etc.
- The engagement policies implemented by the portfolio management companies, particularly the voting and dialogue policies and their memberships in international initiatives aiming to promote good environmental practices, including the Carbon Disclosure Project (CDP), UNEP Finance Initiatives, Institutional Investors Group on Climate Change (IGCC), Montreal Carbon Pledge, etc.
- The fund's responsible investment process: the aim is to use qualitative analysis (1) to assess the adequacy between resources (human, IT, extra-financial databases) and the responsible investment process implemented within the fund; (2) to identify the relevance of process (filters, exclusions, rating, etc.) compared to its philosophy and sustainable themes and its added value compared to its peers. In addition, we consider the level of disclosure and transparency (including portfolio inventory and funds covered by MSCI ESG Research) and the fund's ESG rating in absolute and relative terms compared to its peers and/or its benchmark.

Based on information compiled through our proprietary questionnaire, during our discussions with the asset management company and from MSCI ESG Research and Morningstar Direct, the analysts produce an ESG assessment of the asset management company and of the fund. As most of the information used is from the portfolio management company, we are able to conduct these reviews independently of MSCI ESG Research coverage. If the fund is not rated by MSCI ESG Research, we have developed an internal tool to assign an ESG rating to the fund, in accordance with their methodology.

To complement our internal analysis, we produce a scorecard, based on our proprietary methodology, and inspired by a risk/opportunity approach and the materiality challenges identified by MSCI ESG Research for the financial sector.

The scorecard's objective is to guide the analysts in their ESG assessment of the asset management company and of the fund. It provides homogeneous research framework and a synthetic overview via the selection of key criteria. This synthesis is based on both tangible, systematic and objective criteria, and on factors that are more qualitative, including analysts' evaluation. This process enables us to allocate a score ranging from 1 (the best score) to 4.

The criteria for analysis are as follows:

- At the portfolio management company level:
  - Environmental pillar: environmental policy at company level, exclusion policies regarding thermal coal, portfolios' carbon emissions, etc.
  - Social pillar: human resources management, signatory of UN PRI, exclusion policies related to controversial weapons and fundamental principles, etc.
  - Governance pillar: board independence, compensation policy, etc..
- At the fund level: ESG criteria integration into the investment process, ESG rating of the fund, carbon intensity, labels, etc.

Research

- **7 Service providers: MSCI ESG Research, Ethifinance, Carbon4 Finance, CDC Biodiversité, Morningstar, Bloomberg and broker studies.**
- **Amount invested in extra-financial research associated with external services and database subscriptions: €675,000**

The availability, comparability and reliability of ESG data disclosed by companies are major issues for investors and regulators. The work currently being carried out by the International Sustainability Standards Board (ISSB) and the European Financial Reporting Advisory Group (EFRAG), among others, is designed to address these long-standing issues.

In the meantime, we have regular exchanges with external data providers in order to test the robustness of their methodologies and the quality of the information they make available to us.

We consider this dialogue as commitment, in that we make them aware of the growing and increasingly specific needs of investors and help them to improve their offerings.

In particular, we have set up a quarterly steering committee with our general ESG data provider to ensure more structured monitoring and control.

Additionally, to ensure the readability of our sustainable investment strategies and reporting, we are seeking to acquire tools that can offer new and differentiating perspectives to our management practices while at the same time being able to work with those that we already possess. In 2022, we thus met with nearly a dozen players in the ESG data ecosystem.

A section dedicated to engagement with external data providers is included in our annual engagement and voting report.

Scope of the Article 29 report and main changes for the 2022 financial year

During the 2021 financial year, we stepped up our efforts to integrate regulatory requirements and classifications (SFDR - table 1 and AMF doctrine 2020-03 - table 2) into our product offering. At the close of the 2022 financial year, 70% of total AuM are classified as Article 8 or 9 under the SFDR regulation. This figure is 8 percentage points higher than at the end of 2021, highlighting our efforts to integrate sustainability criteria into our products, whether open or dedicated.

Since 2021, we have sought to be part of the drive to incorporate the best practices set out in the regulations. To this end, we have deepened some of our SRI strategies by strengthening the selection process and the sustainable goals of these portfolios, and have repositioned them as Article 9. In 2022, our "4Change" range was expanded with two additional funds, bringing the total to five Article 9 funds.

By the end of 2022, 97% of the AuM in our open-ended funds are classified as Article 8 or 9. A list of our open-ended funds and the SFDR article to which they relate are available on our website and in the appendix to this report. This list is updated annually.

We have also put in place dedicated ESG strategies: we wished to take advantage of the strengthening of sustainable requirements to create opportunities for discussing these issues with our clients. These forums provide an opportunity to raise awareness, explain and respond to their questions and requirements. We have thus supported the customised reinforcement of the ESG process on several dedicated products by integrating criteria for standards and sector-based exclusions, ESG steering and/or thematic bias, in line with our clients' commitments and values.

At the same time, we have sought to encourage our dedicated vehicle holders to adopt best practice in responsible investment and register their vehicle as Article 8 or 9. Assets invested in dedicated vehicles classified as Article 8 increased significantly during the 2022 financial year. The proportion of dedicated solutions classified as Article 8 is 27.8% at end-2022, up 16 points on end-2021.

Dedicated solutions include management mandates, funds dedicated to 20 investors and funds that are not marketed through Rothschild & Co Asset Management's distribution networks.

In order to strengthen our offering of sustainable investment solutions as previously described, we have increased our engagement actions and campaigns, in particular with asset management companies as part of our open architecture expertise, and established new partnerships with ESG data providers complementary to MSCI ESG Research: EthiFinance and Carbon4 Finance. At the same time, we have improved the cross-functional integration of ESG data into our tools through:

- Automating ESG reporting for our multi-management funds
- Increasing the number of indicators monitored as part of sustainability risk management
- Standardising of ESG-related processes

In 2022, we continued to focus on the following areas, among others:

- We have published our first Article 29 report on the Energy-Climate Law;
- Our thermal coal thresholds have been revised downwards, in line with the recommendation of the NGO Urgewald and the international coal phase-out calendar, and our fossil fuel investment principles have been formalised;
- Our data architecture has been extended with the addition of biodiversity data from Carbon4 Finance and CDC Biodiversité;
- We have established our definition of sustainable investment and contractual minimums have been implemented for products classified as Article 8 and 9 of the SFDR regulation. Our principal adverse impacts (PAI) policy has been refined with the definition of our priority and optional PAIs;
- We have introduced the compiling of European ESG Template (EET) files, a standardised file containing the main sustainable characteristics for each fund, and intended for distributors of financial products with the aim of improving their data collection, as well as transparency for end investors;
- We have joined the Net Zero Asset Managers initiative, by setting objectives at management company level.

Table 1: Breakdown of our products by SFDR classification

SFDR Article	Number of products		AuM %		AuM %	
	30/12/2022	vs. 31/12/2021	30/12/2022	vs. 31/12/2021	30/12/2022	(pts) – vs. 31/12/2021
Open-ended funds	56	+1	13,823	-1.2%	61.8%	+1.7
Article 6	8	0	453	+16.8%	3.3%	-0.5
Article 8	43	-1	13,039	-1.4%	94.3%	-0.2
Article 9	5	+2	331	+37.7%	2.4%	+0.7
Dedicated solutions	136	+2	8,538	-7.8%	38.2%	-1.7
Article 6	101	-14	6,162	-24.9%	72.2%	-16.4
Article 8	35	+16	2,376	+124.0%	27.8%	+16.4
Total	189		22,361		100.0%	

Source: Rothschild & Co Asset Management. 30/12/2022.

Table 2: Breakdown of our products by AMF Category

AMF category	Number of products	
	30/12/2022	vs. 31/12/2021
1	11	0
2	33	-1
3	106	+5
No category	42	-1
Total	192	+3

Source: Rothschild & Co Asset Management, 30/12/2022.

For the purposes of this Article 29 report, the scope covers financial products, open-ended or dedicated investment funds and management mandates for which we are the management company. We include in this scope assets whose financial management is delegated to an external management company, and exclude financial management delegations that we receive. Consulting activities are also excluded from this scope.

Transparency, an essential part of our sustainable approache

The elements relating to our sustainable approach presented above are formalised and available on our website :

- ESG policy
- Engagement policy including the voting policy
- Exclusion policy relating to controversial weapons
- Exclusion policy relating to fundamental principles
- Investment principles for thermal coal sector
- Sustainability risk policy in investing
- Principal Adverse Impacts policy
- Definition of sustainable investments
- List of open-ended funds complying with the ESG Policy, and their SFDR category
- AFG-FIR Transparency Code of 4Change funds, for direct and multi- management
- UN - PRI transparency report, available on PRI website
- Report on engagement and on the exercise of our voting rights
- Art. 29 Report - TCFD
- Rothschild & Co Group's CSR Policy and CSR Report
- Rothschild & Co Asset Management's Compensation Report

In addition to our website, the means used to inform subscribers to funds or mandates about E, S and/or G criteria are mainly:

- Regulatory documentation: prospectus and KID
- Pre-contractual and periodic annexes (SFDR), and Article 10 SFDR web disclosures, for products classified as Article 8 or 9 under SFDR
- Rothschild & Co Asset Management funds Annual Report
- Marketing documents, it being specified that for category 2 funds according to AMF doctrine 2020-03, information on ESG criteria is limited to 10% of the marketing documentation, and for category 3 funds, this information is limited to the prospectus only
- Financial reporting, including ESG reporting

In 2021, changes to the regulatory documentation for funds and mandates following the application of Regulation (EU) 2019/2088 of 27 November 2019 (SFDR Regulation) and the AMF Position-Recommendation

DOC-2020-03 was the subject of an individual letter to holders in March 2021. An individual letter was also sent to unitholders in December 2021 to inform them of the changes to this documentation as part of the application of Regulation (EU) 2020/852 (Taxonomy Regulation).

As soon as the second-level Regulatory Technical Standards (or "RTS") of the SFDR Regulation came into force on 1 January 2023, the pre-contractual appendices for products classified as Article 8 or 9 have been incorporated into funds prospectuses and management mandates. The annual reports of funds closing between December 2022 and September 2023, as well as management mandates, now include periodic annexes.

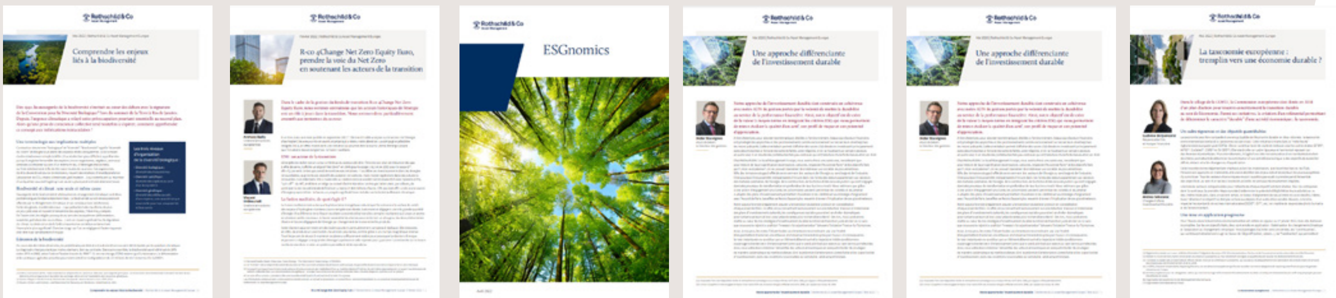
In addition, any change in the categorisation of a product according to SFDR means that it must comply with the RTS and be communicated to holers. This communication is made by any means for open-ended funds, and requires the prior agreement of our clients in the case of dedicated products.

In 2022, Rothschild & Co Asset Management stepped up its communication efforts with the general public, in line with its sustainable investment themes and its news. Seeking to inform, educate and promote our sustainable initiatives, we took part in several conferences related to Article 29, the Taxonomy and biodiversity, organised events and webinars, and increased our presence in the traditional media and on social networks.

3 Videos / Podcasts

85 LinkedIn posts

9 Articles / Documents



3 Webinars

16 dedicated client events

6 participations in forums or events

Our initiatives in favour of sustainable investment

> "We are confident that adressing sustainability challenges is a structural and unmissable trend in our business"

For this reason, we are developing a sustainable approach that is common to all our investments. As a financial company and stakeholder in our society, we are also seeking to apply to ourself a number of commitments as an organisation and provider of investment solutions and to participate through initiatives in steering financial flows into sustainable investments.

Engaging collectively

We have chosen to join a limited number of initiatives that are directly referring to our investment themes, in order to be involved in developing and disseminating best practices. Our contributions to the initiatives presented below are detailed in our 2022 engagement report.

We take part in working groups that include financial actors to promote credible and pragmatic sustainable finance that is applicable to all asset management companies:

AFG

- Member of the Responsible Investment Committee of the French Asset Management Association (AFG)
- Participation in the Diversity and Transition Plans working groups

INSTITUT DE LA FINANCE DURABLE PARIS EUROPLACE

- Member of the Institut de la Finance Durable (ex Finance for Tomorrow), a Paris-based initiative
- Member of the Impact Finance Working Group since 2021
- Member of the extra-financial analysis Methodologies and fossil fuel Trajectory working group

FIR FORUM POUR L'INVESTISSEMENT RESPONSABLE

- Member of the "social" working group and of the "dialogue and engagement" commission of FIR (Forum de l'Investissement Responsable)

fair. Financer Accompagner Impacter Rassembler

- Member of FAIR and of the working group on "practices and impact measurements"

We are member of investor coalitions that engage with companies on climate & just transition challenges:

Joining the initiative to enhance governance on climate change

Member of Investors for a Just Transition, the first global engagement coalition launched by Finance for Tomorrow

In 2022 and 2023, Rothschild & Co Asset Management signed a platform of FIR (Forum pour l'Investissement Responsable) in favour of the generalization of a demanding "Say on Climate"

As a portfolio management company, we want to take active part in these climate and transition challenges, by inscribing our management activities into demanding and recognised frameworks:

Signatory of the UNPRI since 2011

Use of the Global Coal Exit List of Urgewald, an NGO

Joined the Net Zero Asset Managers initiative to act in favour of the climate and meet the Net Zero objective

Alongside the aforementioned initiatives and our sustainable investment ambitions, we are involved in sponsorship activities.

We are a sponsor of the Polar POD expedition and participate in a reforestation programme through Reforest'Action. We are also developing partnerships with associations, through the development of "sharing funds". Since 2022, we have committed to donating at least 1% of the 4Change range revenues to associations approved by 1% for the Planet, a non-profit organization:

Through initiatives in which we take part, we want to make our engagement more concrete. We focus on both positive contributions via the dissemination of good and consistent practices within our sector, and on reducing the adverse impacts arising from our investment decisions, mainly through actions conducted through investor coalitions.

Details of the CSR policy implemented by Rothschild & Co are available on the Group's website.

Our engagement strategy

2

> “We believe that engagement is key to making a positive and tangible impact by promoting the emergence, dissemination and adoption of good practices, but, most of all, by supporting companies in transforming their business models”

At Rothschild & Co Asset Management, engagement is the cornerstone of our sustainable approach, which aims to serve financial returns and to be consistent with our management DNA. Our strategy, which was formalised in 2021, is characterised by concrete actions along the whole of our value chain, in order to three objectives:

1. Acting for the climate and preserve the planet
2. Contributing to a more inclusive economy
3. Facilitating the allocation of financial flows into sustainable investments

In order to achieve this, we take action:

- **Alongside issuers,** as part of our direct management practices. With a view to supporting and monitoring “ESG trajectories,” we interact regularly and constructively with issuers in which we are invested. We make use of our right of oversight whenever we deem that necessary to deepen our analysis, to assess issuers’ capacity to transform, to guard ourselves from the risk of controversies, or to take concrete measures in line with our ESG investment themes (e.g. climate transition or disability). We make sure that the areas for improvement are implemented and that they have concrete results. Discussions that prove unsuccessful or inconclusive can have a direct consequence on the management of our portfolio positions.
- **Alongside portfolio management companies.** As part of our open-architecture business, we conduct in-depth ESG due diligences in order to enrich our buy list inform our fund selection.
- **Alonsgide the sustainable finance ecosystem** (clients, external data providers, professional associations, local initiatives, public authorities, NGOs, etc.). We take active part in various initiatives by participating, among other things in public consultations, working groups, and panel discussions, and by conducting communication campaigns meant for the general public.
- **Alongside our associative partners.** A part of our management fees, for specific SRI funds, is redistributed to our associative partners Polar POD and Café Joyeux/
- **Alongside our employees.** Training and awareness-raising our employees on our sustainable investment themes are factors in the success of our business. We carry out actions in this respect and involve them in our initiatives.

This multi-stakeholder engagement strategy is motivated by the desire to work towards a positive impact on all links in our value chain. Our actions are therefore intended to be wide-ranging, covering **all our investments** and taking into account, as far as possible, our direct environment as management companies.

The main purpose of this section is to meet the requirements of Article 29 of the Energy-Climate Law regarding transparency in our engagement and voting activities. It aims to provide an overview of our approach and presents the most significant elements. For more information, our engagement and voting policy, which are regularly updated, and our annual engagement and voting report are available on our website.

Our vision of impact through engagement

At a time when financial actors are called on to play a role in resolving the major current issues, we understand both the potential and the limits of engagement as a mechanism for generating impact. As investors in listed funds and securities on primary and markets, we separate the impact of our investment activities on changing practices of stakeholders from the impact on the real economy that these stakeholders are likely to generate. However, among the various mechanisms for generating impact for investors, engagement appears to be one of the most credible for listed companies.

Our engagement actions alongside issuers and management companies

Rothschild & Co Asset Management encourages and supports issuers in their efforts to improve their practices and transform their business models as well as asset management companies in the development of their sustainable investment approaches.

Individual dialogue enables us, as conviction-based fund managers, to ensure us of their good faith and ability to change, to strengthen our analyses and to inform our allocation and sales decisions. Accordingly, in order to be fully effective, we believe that individual engagement must be:

1. Conducted with a true understanding of business models and specific challenges of each issuer and asset management company;
2. Regular and constructive, with the goal of fostering a trust-based relationship with issuers and asset management companies;
3. Mutually enriching, by having high-level persons interact, including both “in the know” analysts and managers on the side of the investor, and “business line” experts or decision-makers on the side of the issuer or asset management company;
4. Contrarian and results-driven, by laying out channels for improvement and following up on them over time, while favouring quality over quantity.

Individual dialogue with issuers

In light of our desire to support actors in all sectors, we must conduct our engagement initiatives with the greatest degree of thoroughness. In practice, this gives rise to a bilateral dialogue that can:

- Take place at various stages of the investment cycle (with issuers in the portfolio and/or which might be added to it), as well as at any time and on various grounds:
  - In reaction to the emergence of a controversy, consistent with our goal of reducing our investment’s negative impacts;
  - In reaction to a divisive item put at the agenda of a shareholder meeting;
  - In reaction to the setting of unambitious non-financial objectives;
  - In reaction to subpar non-financial performances, which are generally reflected in downgraded ESG ratings;
  - Etc.
- Deal with priority issuers that have been pre-identified at the start of the engagement campaign (which belong to sensitive sectors and are among issuers that are among the heaviest contributors to our investments’ carbon footprint, issuers that are regularly subject to controversies, etc.)
- Deal with various ESG themes related to the implementation of our ethical norms-based (controversial weapons, international sanctions, etc.) and sector-based exclusions (thermal coal);
- Related to the sustainability requirements and strategies specific to each of our investment products (specific sector exclusions, key performance indicators for SRI-labelled funds, sustainable investment objectives for our Article 9 funds within the meaning of SFDR, monitoring of sustainable investment percentages and PAIs, within the meaning of SFDR for our funds, in particular those classified as Articles 8 and 9, etc.)
- Be conducted through various communication channels (e-forms and emailed written questions, questions asked during general meetings and during phone, videoconferencing or in-person contacts requested by our teams, or at events, whether dedicated or not to ESG, held by the issuers and/or sell-side analysts;

The main purpose of all of these initiatives is to lay out channels of improvement for issuers. Individual dialogue is regular, constructive and monitored over time. It may be carried out jointly by the ESG & Financial Analysis team, the analysts working across our various expertise, and the portfolio managers.

The availability of contact persons, the quality of the discussions, and the will to implement the suggested channels of improvement are part of the basis on which we assess issuers. These factors come on top of the findings of our financial and ESG analyses and can have a direct impact on how we manage our positions within the portfolios.

Collaborative dialogue

At Rothschild & Co Asset Management, we believe in the strength of collective intelligence and take proactive part in public reviews, panel discussions, working groups and engagement campaigns. In accordance with our sustainable investment themes, we have chosen to take part in a deliberately limited number of local initiatives, so that we can participate actively in the planning and work being done within the sustainable finance ecosystem. For example, we are members of several investor coalitions that bring their forces together to have a positive influence on companies' practices, including: Climate **Action 100+ and Investors for a Just Transition.**

Key figures for 2021 / 2022

	2021	2022	Cumulative
Number of issuers we met with	94	79	144
Number of dialogues	153	115	268
Of which individual	> 98%	93%	
Of which collaborative	< 2%	7%	
Breakdown of departments we met with			
Investor Relations Departments	30%	43%	
General Management / Board of Directors	8%	24%	
Financial, Strategic and/or Legal Departments	7%	16%	
CSR / Sustainable Development Departments	51%	15%	
Other	4%	2%	
Number of questions asked	220	269	489
Of which related to Pillar E	41%	31%	
Of which related to Pillar S	37%	44%	
Of which related to Pillar G	22%	17%	
On resolutions tabled at a general meeting	3%	5%	
On a controversy	6%	5%	
On other priority ESG issues	91%	90%	
Having gone beyond simple information gathering	124	161	285
Leading to the formulation of an area for improvement	96	108	204
Implemented	15	6	39*
In process of being implemented at end of year	81	102	165*

* End 2022

Dialogue with asset management firms

Within our multi-management capability, we have opted for an approach integrating ESG criteria in our selection process of long-only funds. We have drawn up a single due diligence questionnaire for the following, overlapping purposes:

- To have a 360-degree view of asset management companies (exclusion, engagement and voting policies, addressing climate change risks and opportunities, managing human resources and human capital, governance, etc.) and funds (integrating ESG criteria into the management process, the portfolio's ESG rating, certifications, carbon intensity, etc.)
- To promote the adoption of good practices in sustainable investment.

Indeed, replies to our questionnaire bring forth and generate contacts that are special opportunities for incentivising asset management companies to improve their practices, and in particular:

- To formalise their sustainable investment approaches and demonstrate transparency: the multi-management team encourages asset management companies to endow themselves with policies (ESG, voting, engagement, exclusions, etc.) and to disclose their sustainable investment approaches (through engagement and voting reports, participation in local initiatives, etc.)
- To obtain an ESG rating for their portfolios: the multi-management team invites asset management companies to regularly submit the inventories of their reviewed portfolios to Lipper, so those portfolios can be rated ESG by MSCI ESG Research. These ESG ratings then allow analysts to supplement their own studies and to possess an overall ESG rating at the fund-of-fund levels
- To make the funds' sustainable approaches more credible by obtaining high-standard certifications and being in compliance with European and French regulatory frameworks (SFDR, AMF doctrine 2020-03).

Divestment and escalation procedure

Decisions on divestment are based both on the application of some of our exclusions (UN Global Compact and the Investment Principles for thermal coal) and on the management of our sustainability risks and adverse impacts.

At Rothschild & Co Asset Management, we regard divestment as an option that must be "a last resort", for the following reasons. Effectively:

- Giving up our shareholder status means depriving ourselves of voting rights through which we can express our views and inform companies of channels for improvement.
- Giving up our shareholder or bondholder status generally means limiting our capacity to build a constructive dialogue with companies.
- Divesting securities, which, happen to be traded on secondary markets, limits our potential impact contribution to the real economy, unless we do so as part of a collective movement and can avail benefit from a "mass effect" that can make a big difference.

We believe that engagement cannot justify the status quo, whether in managing our portfolios or in changes that are desirable in the real economy and society. That being said, we believe that an escalation procedure, and particularly sector disengagement, must be examined pragmatically and on a case-by-case basis, in order to support actors in all sectors in their transformation, while managing risk-reward on behalf of our clients. To cite some examples:

- Controversies are an integral part of our processes pertaining to sustainability risks, adverse impacts, and integrating sustainability challenges in our research and in managing portfolios.
  - Indeed, our investment vehicles' ESG objectives are based on MSCI ESG Researchratings. These ratings are drawn up on the basis of a best-in-class approach and include controversies, and may therefore revised on an ad hoc basis to reflect any new factor regarding a new or existing controversy. The controversy may lead to a downgrade in the ESG rating, which can have an impact on the portfolio's ESG requirements when we update the investment universe. After this update, if the ESG rating revised in reaction to the controversy keeps us from complying with our ESG frameworks and constraints at the portfolio level, the issuer may be divested within one month.
  - In order to monitor controversies, company scores per E, S and G pillar below 2 out of 10 are tracked by the Risk Management Department. The aim is to screen and examine portfolio exposures in order to identify potential areas of risk and weak signals. We have set up daily and weekly automatic notifications from the MSCI ESG Research platform. In addition, we monitor newsflow on a daily basis and disseminate relevant information each day at the portfolio managers' morning meeting.
  - In case of a major event, our Controversy Committee meets in the days following the occurrence of severe controversies. The Managing Partners, the head of ESG and financial research, the chief risk manager, and the head of internal control and compliance are permanent members of the committee. The management teams who hold securities from the issuer that is subject to controversy and the analysts dedicated to the corresponding sector take part, depending on the case. Committee members work on a collegial basis and make the most suitable decision on a case-by-case basis – divest, authorise keeping the existing securities, prohibit any new investment, or place the security under surveillance. In the second and third cases above, they may decide how much time to grant the issuer to reply in a substantiated way to the allegations against it (generally three to six months), but also on the nature of corrective actions the issuer must implement and the deadlines for doing so. For a given controversy, committee members meet whenever new information is made public or at each deadline set in the engagement plan.
- In terms of fossil fuels, we have implemented investment principles for thermal coal since 2020 and formalised investment guidelines for fossil fuels last year. Details of our exposure, engagement and divestment actions for 2022 are available in the section dedicated to fossil fuels.

Outside our standard exclusion frameworks, we ensure that our portfolio managers have sufficient information for assessing the potential ESG risk related to a particular issuer. To the extent that the corrective actions that we wish issuers to make vary in complexity, importance or materiality, we try to make our approach pragmatic in this area.

Voting policy

Since 2011, Rothschild & Co Asset Management has implemented an active voting policy consistent with the principles of sustainable investment. For this purpose, we have entrusted research on resolutions to a specialised company, Institutional Shareholder Services (www.issgovernance.com), and have chosen to adopt a "Socially Responsible Investment" voting policy, rather than a "Climate" or "Sustainability" one, to allow us to assess companies on the basis of all ESG pillars.

ISS submits voting recommendations that comply with sustainable investment principles and Rothschild & Co Asset Management remains the ultimate decision-maker on the exercise of voting rights. Our qualitative analysis, on a case by-case basis, of specific resolutions (particularly those on the agenda of general meetings of companies in sensitive sectors) sometimes leads us to vote differently from ISS recommendations.

Our voting policy covers our entire equity investment scope, with no geographical or market-cap distinction. Accordingly, the scope of our voting rights covers European and international equities held in our funds. On an exceptional basis, we reserve the right to exercise our voting rights at general meetings of bondholders and SICAV.

We do not exercise our voting rights when:

- The delays in immobilizing securities are too much of an inconvenience and would hinder the financial management of the fund;
- The content of resolutions and/or voting recommendations could not been sent to us in time for analysis;
- The costs of voting rights, which are too high, justify abstention on our rise in the interests of unit-holders or shareholders (high cost induced by the knowledge, the analysis and the exercise of resolutions).

Assets under financial management delegation are not included in the scope of our voting and engagement policy, which nevertheless includes the assets for which we receive the financial management delegation.

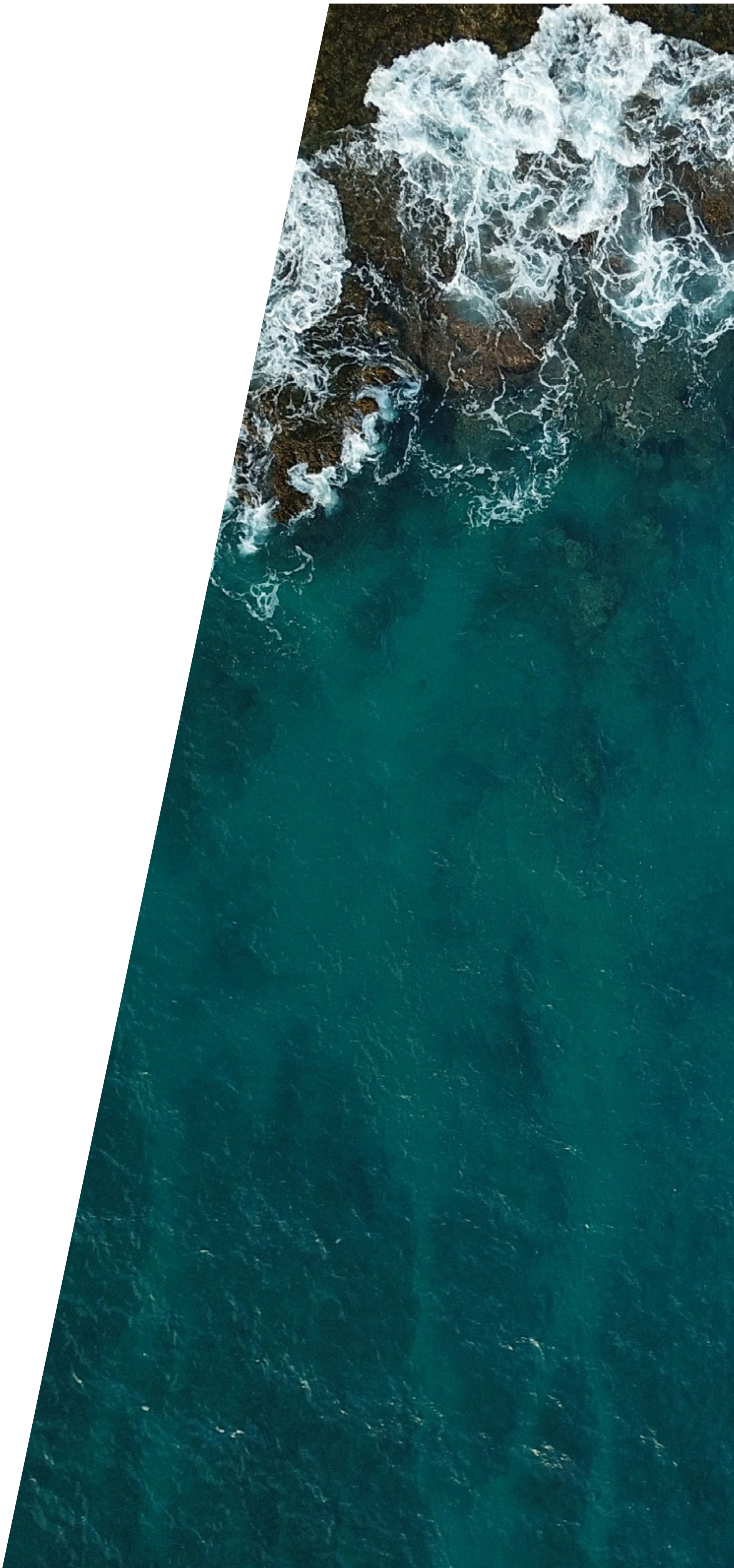
Key figures for 2022

	n	%
Number of AGMs/EGMs	511	79
Voted at	499	97.7%
Not voted at	12	2.3%
Number of resolutions voted on	8,347	
Of which "for"	6,854	82.1%
Of which "against"	1,338	16.0%
Of which "abstained"	155	1.9%
Percentage of AGMs/EGMs with at least one "against" vote		66%

* End 2022

Type of Resolution	Votes For	Votes Abst.	Votes Against	Total	% against
Employee shareholding	115	0	1	**116**	1%
Approval of the Financial Statements and Appropriation of Earnings	678	1	1	**680**	0%
Approval of Related-Party Agreements (excluding Remuneration)	119	0	22	**141**	16%
Anti-takeover mechanisms	198	0	41	**239**	17%
Formalities and other reasons	231	5	40	**276**	14%
Amendments to the Articles of Association	282	2	15	**299**	5%
Appointment/Attendance fees for members of the Board of Directors or Supervisory Board	2,872	120	712	**3,704**	19%
Appointment/Remuneration of Statutory Auditors	434	2	14	**450**	3%
Financial Operations/Mergers	614	0	142	**756**	19%
Director and employee compensation (excluding employee share ownership, including "Say on Pay" resolutions)	1,004	6	280	**1,290**	22%
External resolutions	307	19	70	**396**	18%
TOTAL	**6,854**	**155**	**1,338**	**8,347**	**16%**

Our internal resources



3

“In addition to our dedicated ESG team, all our teams are involved”

ESG team and dedicated financial research

Rothschild & Co Asset Management possesses a cross-disciplinary ESG team of eight persons, of which four analysts and three persons dedicated to transversal projects, headed up by Ludivine de Quincerot:

- A project manager who takes part in ESG methodologies and strategies development and in business development
- A cross-disciplinary analyst who takes part in coordinating our engagement actions and research on specific sectors
- A financial engineer who helps develop quantitative tools and coordinate our voting policy.

European equity analysts are organised by sectors. The selection of securities for our portfolios is based on a financial research process that integrates ESG criteria. They are also contributing in controversies assessments and engagement procedures involving their sectors as regards both dialogue and voting. The European research team works in cooperation with other investment teams and disseminates good practices on all these subjects.

The team contributes actively to steering and harmonising ESG processes within investment expertise, to coordinating research, and to engaging with the investment teams and external service providers.

In addition, the team takes part in discussions on the product offering development, the establishment of investment strategies with the managers and sales teams, as well as complying with regulations and market labels alongside the operational teams. The team is also involved in business development of the 4Change funds offering.

The investment teams

In tight collaboration with the dedicated ESG & Financial analysis team, the ESG, financial research and the engagement with issuers are conducted in each expertise analysts team:

- 3 international equity analysts
- 5 fixed-income analysts including 1 ESG analyst
- 5 multi-management analysts

The fund managers are responsible for properly integrating the asset manager’s sustainable investment principles for their funds. Working alongside the analysts, they are mobilized both on the sustainable approach, common to all generalist investment vehicles, and on the labelled strategies with dedicated sustainable thematic and enhanced selection criteria.

The SRI labelled solutions are based on the same investment universes and contributes to spread bests practices across all expertise.

The operational teams

The Risk and Compliance teams are involved in establishing solutions to control and monitor our commitments. As such, the Risk team is responsible for integrating ESG data into applications.

The Legal team is involved in drafting and producing the various contractual documents incorporating the commitments made in terms of sustainability.

The Business Development teams actively contribute to the development of marketing materials, monitoring tools and commercial strategies.

The Product Management team is involved in managing the existing range and in creating new products. The team also updates the products database (in particular EET related data) and supports the creation of new responsible investment-related projects.

As each team is involved in and responsible for its contribution to our sustainable approach, sustainability related topics and their integration are not a matter of an independent expertise but rather of all internal skills and employees.

Indeed, in 2022, 35 full-time equivalents (FTEs) were dedicated to incorporating environmental, social and governance criteria into Rothschild & Co Asset Management's investment strategy, i.e. 25% of the management company's total FTEs. This indicator is calculated as the proportion of working time represented by the ESG over the total working time of each employee, excluding trainees.

At Rothschild & Co Asset Management, we seek to involve all our teams in putting our sustainable approach into practice, in particular through certification training and numerous in-house workshops.

1. Providing financial incentives to our employees	
Remuneration policy that includes ESG targets	Since 2021, Rothschild & Co Asset Management has reviewed its remuneration policy in accordance with the requirements of the SFDR regulation. For the 2022 financial year, individual variable remuneration includes, where appropriate, compliance with sustainability risks, in particular, individual objectives have been set for the managers and contribute to the analysis of performance, without providing any quantification. For the 2023 financial year, for all Rothschild & Co Asset Management employees, the compliance with ESG policies and commitments, as well as the contribution to the ESG business development of Rothschild & Co Asset Management, are part of the criteria measuring annual performance. The teams most directly impacted by ESG issues (fund managers, analysts, sales, compliance and risk teams) will define a complementary and relevant ESG objective that is with their business.
2. Training our employees on sustainable finance concepts	
Periodic discussion forums	The ESG & Financial Analysis team organises **monthly or quarterly** discussion forums with our sales and management teams (in equity, fixed income, multi-management, etc.). These forums for discussion are invaluable and enable us to move forward together, through the identification of needs specific to management expertise, new ideas (quality of ESG reporting and commercial presentations, etc.), requests for clarification (ESG analysis methodology, ESG indicators, regulations, etc.), feedback, etc.
Committees to steer our actions	Management of Rothschild & Co Asset Management, the ESG & Financial Analysis team, as well as the marketing, risk, and compliance teams, meet **on a bi-monthly basis to steer, validate and implement our priority projects** (ESG data management, compliance with regulations, launch of new products, steering sustainable investments, monitoring of "Article 29 Energy-Climate Law" commitments, etc.)
ESG training courses offered and delivered in-house	Our sales and management teams, like our clients, have received **almost 50 training sessions** from the ESG & Financial Analysis team. Notably in 2022, on the occasion of World Environment Day, all Group employees were invited to take part in a series of training courses offered by the **Rothschild & Co Sustainability Academy**, an online platform developed by AXA Climate, enabling them to understand the scientific fundamentals behind the notion of sustainable transition. Finally, all Rothschild & Co Asset Management employees took part in a workshop inspired by the **Fresque du climat**, a French non-profit association founded in 2018 to raise awareness of climate change.
ESG training courses leading to certification	Rothschild & Co Asset Management encourages its employees to training courses, especially those leading to a certification, related to sustainable finance. A growing number of our employees have, for example, benefited from financing and successfully obtained the **"AMF Sustainable Finance examination"**, the **"Certified ESG Analyst (CESGA)", issued under the authority of EFFAS (European Federation of Financial Analysts Societies) and offered by the SFAF (*Société Française des Analystes Financiers*), or the "Certificate in ESG Investing" from the CFA Institute.** This momentum is set to continue in 2023
3. Promoting cross-functional collaboration and internal information sharing	
ESG Newsletter	Key figures, regulatory developments, news from issuers and sustainable finance players... our employees are continuously kept informed and receive a **weekly ESG newsletter** produced by the ESG & Financial Analysis team.
The development of an in-house financial and ESG research platform	In 2022, Rothschild & Co Asset Management initiated the development of an internal financial and ESG research platform , in collaboration with ResearchPool. It is due to be launched shortly and will centralise all information relating to the financial and ESG analysis of issuers.

Putting our sustainable approach into practice requires not only the involvement of our human resources, but also the deployment of financial resources. **To this end, the ESG budget represents €949,542, or 3% of the total budget for the 2022 financial year.**

The ESG budget is used to finance sustainable research databases and resources, labels, memberships of market initiatives and IT solutions dedicated to sustainable processes. This cost does not include the salaries of the management, analysis and support teams.

Committing to inclusion and diversity

In addition to supporting and mobilising all our employees in sustainable development and responsible finance, we also seek to support and promote women within the organisation.

The French Rixain Law aims to accelerate economic and professional equality. Article 8 bis requires portfolio management companies to disclose their objective in terms of balanced women/men representation among the teams, bodies and managers responsible for making investment decisions.

Last year, we set ourselves the target of achieving 30% female representation in the above-mentioned teams. This target has been achieved, with 36% of women on investment bodies by the end of 2022. Over the next few years, we aim to reach 40% by 2026 and then gradually achieve a balanced representation.

To this end, in August 2022 we signed an agreement in favour of professional equality and set out measures on the effective pay, the balance between professional responsibilities and family life, the classification and the recruitment. For equivalent profiles, we seek to encourage the hiring of women, supporting the gradual progression of women in the workforce, until we reach a balanced level of representation is achieved.

These initiatives are in line with the commitments we have already made to promote gender diversity, and a number of results have already been achieved, such as the 49% representation of women among the company's Assistant Directors[(1)].

These measures include:

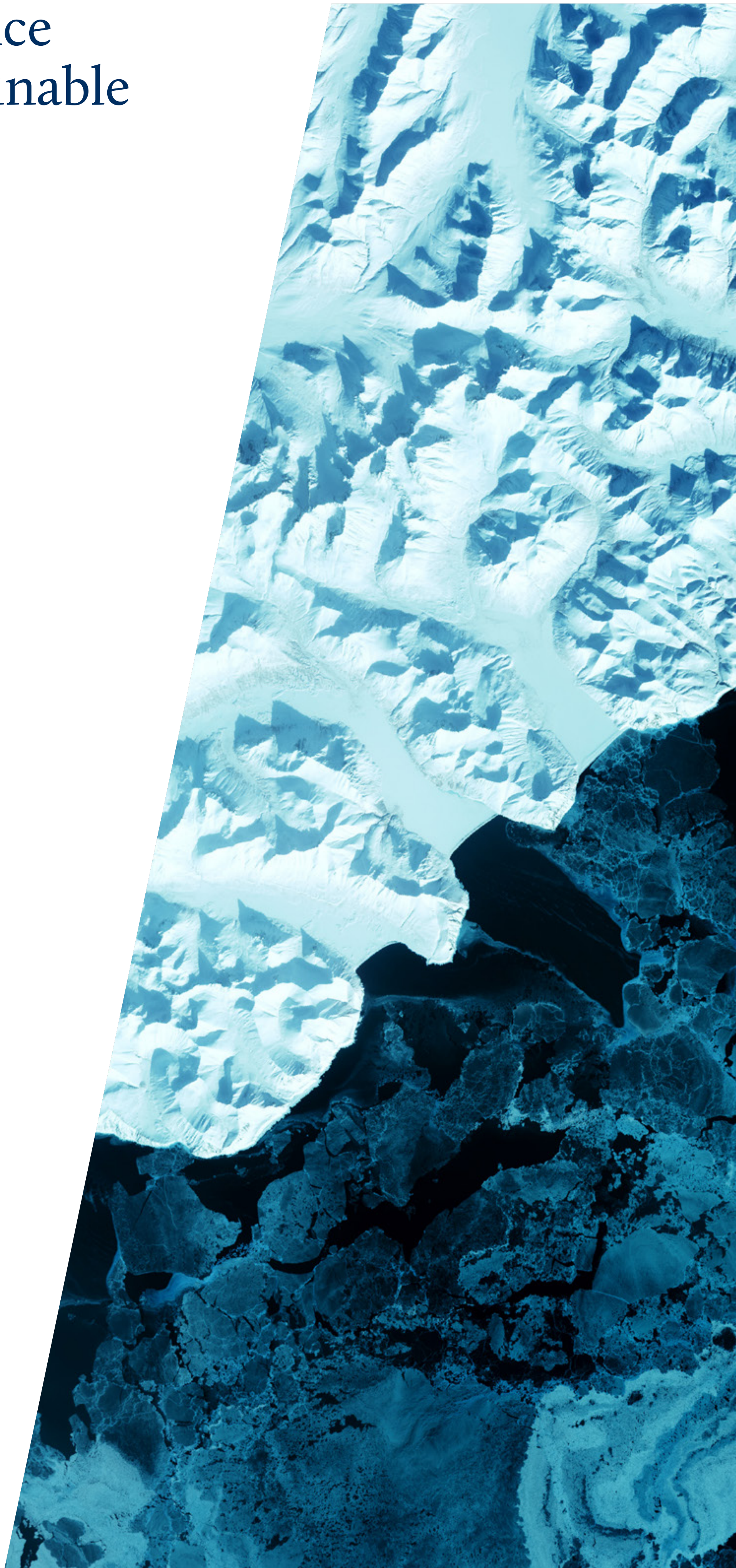
- Use of terminology in job offers and job descriptions that is gender-neutral, non-discriminatory and non-stereotyped, in order to allow women and men to apply without distinction, both internally and externally.
- Training and awareness-raising initiatives for recruitment teams on the issue of gender equality, and distribution of a brochure on combating stereotypes.
- Progress objective to present, where possible on the basis of professional criteria, candidates of both genders at the beginning of the process and at least one female candidate during the final selection process.
- Include in each contract established with recruitment agencies and temporary employment agencies used by the UES (*Unité Economique et Sociale*) that they submit, where possible, an equal number of applications from women and men.
- Progress objective to support female employees who so wish to manage their professional career and access to higher-level positions in the company, by offering them coaching workshops and through the sponsorship program, which aims to help women in their career progression through the support of a senior employee of the company.
- Ensure that women and men employees are made aware of gender diversity and professional equality in companies from the start of their career within the Group.
- Shine program: The Shine program is a key element of our strategy for balance and inclusion. The women's program is essentially a two-day workshop designed to maximise each woman's potential and personal impact. The participants' managers attend a series of workshops designed to give them a better understanding of the content of the program and to make them aware of the common themes raised by the women about their professional experiences. The aim is to actively support them in their development and progression through and beyond the program.

Key figures for 2022:

- Women in total workforce: 48%
- Women on Grade 4 "Assistant Director[(1)]": 49%
- Women in investment teams: 36%

(1) "Assistant Director" corresponds to a grade on the Rothschild & Co Asset Management grading scale. Each grade level corresponds to a level of skills and responsibilities. The grades break down as follows, from the most junior to the most senior grade: Staff / Analyst / Manager / Assistant Director / Director / Managing Director / Global Partner. Grades are one of the markers of professional development for the asset management company's employees.

Our governance and our sustainable strategy



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At the firm level, the governing bodies of Rothschild & Co Asset Management, i.e., the Executive Committee, the Management Committee and the Supervisory Board, monitor the ESG strategy deployed. The integration of sustainability challenges represents a strategic focus.

In addition, several committees have been set up to decide and implement our responsible investment decisions:

- A bimonthly “ESG Taskforce” organised by the ESG & Financial analysis team and with the Managing Partners, the heads of operating departments and the business development
- A bimonthly “Sustainable Regulation” committee, coordinated by the Product Management, involving a Managing Partner, the head of compliance, and the Risk and Legal teams

Sustainability issues and our developments in this area are also discussed with our governance bodies within the structure:

- In the Executive Committee of Rothschild & Co Asset Management, by the presence of Ludivine de Quincerot, Head of the ESG & Financial analysis team
- In the Management Committee of Rothschild & Co Asset Management, by the presence of Ludivine de Quincerot, Head of the ESG & Financial analysis team
- In the Wealth and Asset Management ("WAM") Committee, through regular updates and decision-making on Responsible Investment issues across the WAM division, by the presence of Pierre Baudard, Managing Partner
- In the Responsible Investment Committee of Rothschild & Co Group, headed by François Pérol (Co-President of the Group Executive Committee) with the participation of Pierre Baudard and Ludivine de Quincerot.

A Responsible Investment coordination team at both WAM and Group levels is in charge of managing cross-functional projects related to responsible investment. The team supports Group’s entities in their integration of the Group's sustainability ambitions and their development on responsible investment issues.

Sustainability matters are addressed at all levels of decision-making in order to coherently implement the Rothschild & Co Group's sustainability ambitions with the business and customers specificities of each entity.

Most of the members of these governing bodies have attended the internal workshops and training courses described in part 3 of this report.

In addition, some have decided to obtain additional certification, such as AMF certification (27% of Managing Directors), or to look more closely at specific social issues through training on recruitment and inclusion.

Mandatory training is currently being introduced.

Taking ESG criteria into account in our governing bodies is also reflected in the integration of good practices in these bodies through the promotion of women and independent representatives.

The European Taxonomy, springboard to a sustainable economy

5

In the wake of COP21, the European Commission adopted an action plan in 2018 to make sustainable transition a concrete part of the economy. One of its initiatives is the creation of a reference framework to determine the 'sustainable' nature of an economic activity: the Taxonomy.

The Taxonomy can be compared to a two-volume **encyclopaedia of sustainable** economics:

- Environmental Taxonomy (green)
- Social Taxonomy (pink)

It is a non-exhaustive and constantly evolving list of standardised criteria for determining the contribution of an economic activity to defined sustainability goals, thus avoiding differences of assessment. The six defined objectives to which an activity must contribute to qualify as green are:

- Climate change mitigation,
- Climate change adaptation,
- Sustainable use and protection of aquatic and marine resources,
- Transition to a circular economy,
- Pollution prevention and control,
- Protection and restoration of biodiversity and ecosystems.

For the time being, implementation is still gradual. Indeed, of the 6 goals listed, only the first 2 came into force on 1 January 2022. The last 4 have been published and are expected to come into force on 1 January 2024. Regarding Social Taxonomy, some initial suggestions were communicated in 2022 but have not been followed up at this stage.

On the scope of application, non-financial companies have the obligation to communicate their level of eligibility and alignment since 2023. Financial companies will not be subject to this requirement until 2024.

As part of our work on Environmental Taxonomy, we used two sources of information:

- The taxonomic eligibility and alignment data estimated by MSCI ESG Research, relating to revenue;
- The taxonomic eligibility and alignment data reported by a still limited number of issuers and collected by MSCI ESG Research, relating to revenue, capital expenditure (Capex) and operating expenditure (Opex).

Taxonomic eligibility indicates the proportion of a company's revenue, Capex or Opex from eligible activities, while taxonomic alignment corresponds to the proportion of revenue, Capex or Opex that specifically meets the objective under consideration without negatively affecting the other objectives.

The methodology concerning taxonomic data from MSCI ESG Research is detailed in the appendix to this report. At the asset management company level, we check consistency between the eligibility and alignment levels estimated by MSCI ESG Research and those reported by the issuers themselves. For the 2021 financial year, the data reported was not provided.

At 31/12/2021

SFDR Article	Assets under management (€m)	Eligibility (as %)	Alignment (as %)
Estimated data for Revenues		MSCI ESG Research	
Article 6	8,732		
Article 8	14,284	40.7%	7.9%
Article 9	240	74.5%	53.4%
Total 31/12/2021	**23,256**	**25.8%**	**5.7%**

AT 30/12/2022

SFDR Article	Assets under management (€m)	Eligibility (as %)	Alignment (as %)
Estimated data for Revenues		MSCI ESG Research	
Article 6	6,615	29.2%	5.5%
Article 8	15,415	33.0%	7.5%
Article 9	331	64.0%	38.7%
Total 30/12/2022	**22,361**	**32.3%**	**7.4%**
Reported data for Revenues		MSCI ESG Research	
Article 6	3,708	10.3%	4.2%
Article 8	13,871	12.2%	3.5%
Article 9	331	42.0%	34.2%
Total 30/12/2022	**17,910**	**12.4%**	**4.2%**
Reported data for CapEx		MSCI ESG Research	
Article 6	3,708	12.9%	4.7%
Article 8	13,871	16.1%	4.1%
Article 9	331	46.7%	35.7%
Total 30/12/2022	**17,910**	**16.0%**	**4.8%**
Reported data for OpEx		MSCI ESG Research	
Article 6	3,708	10.0%	4.5%
Article 8	13,871	11.1%	3.8%
Article 9	331	42.4%	34.9%
Total 30/12/2022	**17,910**	**11.4%**	**4.5%**

Source: MSCI ESG Research

Note on methodology

The scope of AuM concerned by Taxonomy alignment for the 2022 financial year is that of funds and mandates classified as Articles 6, 8 and 9, which are covered by the Article 29 report, i.e. those whose parent management company is Rothschild & Co Asset Management.

The results presented for the 2021 financial year are taken from the Article 29 report published for the previous financial year. They were then expressed as a percentage of assets covered by the taxonomic alignment data. The results presented for the 2022 financial year are expressed as a percentage of the fund's net assets or the value of the mandate where applicable (including cash and derivatives).

Issuers with no available value are assigned a 0% alignment and eligibility level, which is a conservative approach that could lead to an underestimation of the taxonomic percentages presented.

Green bonds that comply with the principles of the International Capital Market Association are considered 100% aligned with Taxonomy regulations.

For reported data, MSCI ESG Research does not provide data on the funds held by our multi-management funds. As a result, the total assets to which the aggregate percentages shown above relate will fall from €22.4 billion to €17.9 billion at 30/12/2022.

We also receive Taxonomy or 'green share' data from Carbon4 Finance on our consolidated portfolio, i.e. for our direct investments, excluding funds, cash and liquid assets, representing €15.1 billion. These eligibility and alignment percentages are estimated from company data, however Carbon4 Finance's methodology may differ from MSCI ESG Research's one. For comparison, the results of the calculation are shown below

At 31/12/2021

	AuM covered (€m)	Eligibility (as %)	Alignment (as %)
Estimated data for Revenues		Carbon4 Finance	
Consolidated portfolio	13,440	25.8%	3.8%

Source: Carbon4 Finance

At 30/12/2022

	AuM covered (€m)	Eligibility (as %)	Alignment (as %)
Estimated data for Revenues		Carbon4 Finance	
Consolidated portfolio	14,500	35.4%	5.8%

Source: Carbon4 Finance

Note on methodology

For the 2021 financial year, the Taxonomy indicators were calculated by Carbon4 Finance for the entire consolidated portfolio, including lines for which these indicators are not defined. This bias resulted in a slight underestimation of taxonomic indicators at portfolio level. In 2022, the percentages presented should be considered at the level of the companies covered by the consolidated portfolio, i.e. 14.5 billion.

Results and trends over the year

Estimated data

As of 30/12/2022, the proportion of our AuM aligned with the Taxonomy in terms of revenue was 7.4% according to MSCI ESG Research estimates, and 5.8% according to Carbon4 Finance estimates. At the end of the 2021 financial year, the levels were 5.4% and 3.8% respectively. This increase reflects a positive trend noted by our two suppliers, with alignments beginning to reach material levels (>5%).

Data published by issuers

Considering this time the data published by the issuers themselves, the levels of alignment in terms of revenues, Capex or Opex reach 4% on all our AuM.

Within the various SFDR classifications:

- **The levels achieved by products classified as Article 6 and Article 8 are little differentiated around 4%. There has been no improvement in the taxonomic alignment of our Article 8 products. This is due to the presence of our 3 money market funds classified as Article 8 products, which have significant AuM but whose issuers have so far provided very little data.**
- **Among Article 9 products, these figures have improved significantly, with alignment levels around 35%. This is mainly explained by the R-co 4Change Green Bonds fund, which held 92% of its net assets in green bonds meeting ICMA standards, and by our investments in key transition sectors (utilities, transport, construction, real estate, etc.) where published Taxonomy data reveals significant levels of green activity..**

It should be noted that the comparison with the previous year for the data reported is not available due to a recent publication obligation by issuers (see paragraph "Limits and opportunities" below).

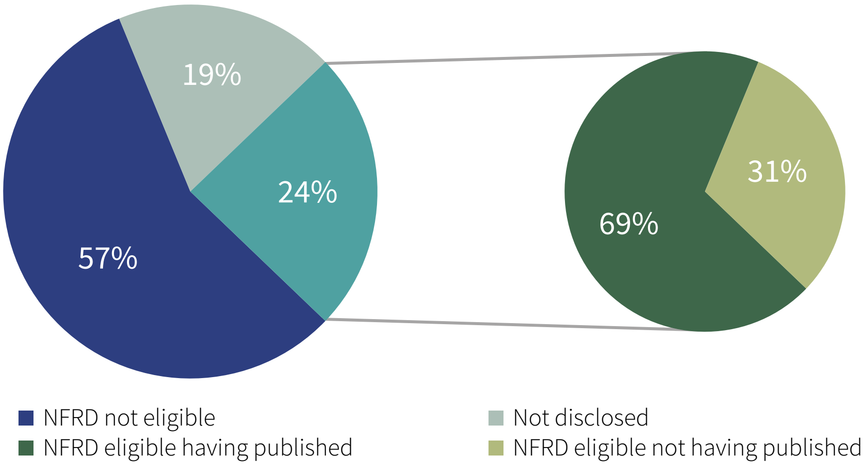
Limits and opportunities

The integration of the European Taxonomy began in January 2022 for financial players, who were forced to understand the "Taxonomy profile" of their investments on the basis of estimated data, in the absence of a regulatory obligation for companies to communicate harmonised and audited information.

The year 2023 is a transitional period with, on the one hand, an initial phase of collection of data communicated by non-financial companies and, on the other hand, the expectation of data from financial companies, which will not be required to transmit them until 2024.

For example, among our 1,434 issuers in positions as of 30/12/2022, 24% are concerned by extra-financial performance reporting in which 69% have published reports on their Taxonomy data.

Profile of issuers and Taxonomy reports publishing



This discrepancy in publication between non-financial and financial companies results in a certain heterogeneity of Taxonomy data at this stage. This lack of data on financial players is all the more a challenge for Rothschild & Co Asset Management as this industry represents a conviction of investment for us. We are convinced of the role to be played by financial institutions as link and finance-provider of the transition.

Nevertheless, the gradual collection of data communicated by non-financial companies suggests an improvement in the situation in the short term and will certainly make it possible to consider setting minimums for aligning products with the Taxonomy by the end of the year.

In addition, communication of the alignment of capital expenditure (Capex) provides a forward-looking view of the direction and initiated trajectory by companies, rather than the simple data relating to sales (revenues).

Ambitions

Following the clarifications provided by the European supervisory bodies at the end of 2022 on equivalent information, we have decided in the short term to commit to minimum investments aligned with the Taxonomy up to 0% for our Article 8 & 9 products.

That said, we remain convinced that the Taxonomy will ensure convergence and homogeneity and objectively assess the contribution of an activity to transition, thereby guaranteeing better comparability of financial products.

The Taxonomy will also make it possible to recognise the efforts made and to be made in the future by a certain number of industries and economic players, which we have historically sought to support as part of our investments and our transition approach.

In this respect, our ambition is to review by the end of 2023 the state of the investment levels aligned with the Taxonomy of our funds on the basis of the information communicated by the companies, in order to review our legal minimums upwards for 2024.

Fossil fuels, a sector “of” and “in” transition

6

At Rothschild & Co Asset Management, we believe that in order to significantly reduce greenhouse gas emissions and comply with the Paris Agreement and the objectives set by the European Union, we cannot exempt ourselves from focusing on the most emitting companies: 90% of greenhouse gas emissions come from the energy and industry sectors. That's why it seems essential to us to include in our funds securities from carbon-intensive sectors that are undergoing a process of in-depth transformation of their business model. We believe that, through structured engagement action, shareholders can raise companies' awareness and encourage them to adopt investment plans to accelerate and give credibility to their strategy of alignment with the Paris Agreement. The effects will be felt all the more through the involvement of these major emitters.

In addition, our approach also aims to ensure a sustainable transition by taking into account each ESG pillar. Indeed, by focusing on a massive and immediate reduction in carbon investment plans, the social consequences could be dramatic for certain sectors and just as harmful for collective well-being. 2022 was a case in point.

In 2022, the geopolitical and economic context did not seem conducive to the implementation of enhanced climate measures, and social tensions were also intensified. The energy crisis in Europe, triggered by the Russian-Ukrainian conflict and the fall in gas supplies from Russia, has highlighted the high dependence of some countries on fossil fuels and the need for greater diversification of the European energy mix. Given the urgency of the situation, the most 'carbon-intensive' substitutes were often used, leading to an increase in the use of coal. The climate issue has taken a back seat to social and national interests.

We remain convinced that the net zero dynamic is underway, even though the trajectory will not be linear. This current context reinforces our conviction in our transition approach. Despite the urgency and the will of the political authorities, it is difficult to instantly transform certain sectors, such as energy.

The evolution of this sector requires anticipation and investment to match its ambitions. Active management, through careful stock selection and regular monitoring via shareholder dialogue and voting, then makes perfect sense.

2020

- Investment principles relating to thermal coal via the application of the Global Coal Exit List of the NGO Urgewald
- Exclusions relating to unconventional and conventional oil and gas for our Towards Sustainability labelled products and other dedicated products

2021

- Member of the AFG working group on fossil fuels
- Member of the Net Zero Asset Managers Initiative

2022

- Strengthening of our investment principles for the thermal coal sector
- Formalisation of guidelines for investment in fossil fuels
- Founding member of the "Investors for a Just Transition" coalition and member of the "Energy" sub-group

Focus on the thermal coal sector

Our investment principles for thermal coal

As part of our common exclusion framework, applied to all our investment vehicles, we have established since October 2020 investment guidelines for thermal coal sector. These are part of the international timetable for phasing out coal, for which clear deadlines have been set: 2030 for Europe and the OECD, and 2040 for the rest of the world.

We are regularly reviewing thresholds in line with the NGO Urgerwald's recommendations to be in line with the international coal exit calendar.

In that sense, the following principles are set up:

- We will no longer lend to or invest in companies involved in projects for new thermal coal mines, thermal coal-fired power plants or infrastructures;
- We will no longer invest in companies with:
  - More than 20 % of revenues generated through activities directly related to thermal coal;
  - More than 20% of the energy mix (per megawatt produced) derived from coal;
- We will no longer invest in companies at which:
  - Annual thermal coal production exceeds 10 megatons (MT) per year;
  - Installed coal capacities are greater than 5 gigawatts (GW).
- No more investments are made and no new financing is granted to companies with more than 50% of revenues generated through service or infrastructure activities related to thermal coal.

Where companies are not involved in developing new thermal coal capacity but have direct and indirect exposure to thermal coal in excess of thresholds defined above:

- On a case-by-case basis, we continue to support companies implementing a thermal coal exit strategy: evidence, preferably publicly available, of a commitment for implementing an exit strategy in line with the international thermal coal exit calendar, considering the social impacts generated by this transition, should be communicated as well as quantitative underlying elements, demonstrating the credibility of their exit strategy.

Exposure to the thermal coal sector at 30/12/2022

We hold residual exposure to companies active in the thermal coal sector through investments made in our portfolios:

- **For direct management: €165 million, or 0.7% of total AuM**
- **For multi-management: €9.4 million euros, or 0.05% of total AuM**

Note on methodology

The results are not weighted by the income generated by the activity.

For direct management, the results are based on the Global Coal Exit List and the involvement of companies in terms of revenue, energy mix, annual production or installed capacity, according to the thresholds recommended by the NGO.

For multi-management, the results use data from MSCI ESG Research, and are calculated by taking into account the value of companies, as long as they generate more than zero revenue in that sector.

Focus on fossil fuels

Our guiding principles for investing in fossil fuels

Regarding fossil fuels, our approach is a long-term one: we want to support economic players in their climate transition over time. Recognizing the contribution of fossil fuel activities to climate and biodiversity issues, we analyse companies' trajectory in order to assess the potential, capacity and feasibility of transforming their business models towards less carbon-intensive activities. We are willing to select those that are best positioned and able to achieve their ambitions and ensure the reduction of their negative impacts.

Beyond the score, we seek to assess the company's overall environmental profile through the following key factors:

- Energy mix of production capacity and breakdown of revenues
- Geographical distribution of assets and breakdown by type of resource
- Level of involvement in non-conventional fuels
- New projects pipeline
- Energy efficiency systems
- Low-carbon capex, including the share allocated to renewable energy, technological innovations and carbon capture and sequestration mechanisms
- Financing and allocation of free cash flow
- Environmental controversies

The above parameters are linked to an assessment of the company's climate strategy and the potential for alignment with the Paris Agreement:

- Existence of a strategy to reduce greenhouse gas emissions, scope of activities and geographies concerned, measurability, TCFD reporting and level of ambition of objectives in terms of emissions scopes, use of offsetting techniques, timetable, and third-party audit (SBTi)
- Planning, necessary and planned investments and disposals
- Monitoring carbon intensity and temperature levels
- Consideration of the issues relating to just transition (just transition strategy, employees concerned, retraining programmes and budget allocated)
- Level of involvement and responsibility of Top Management
- Validation of the climate strategy at the Annual General Meeting through Say on Climate

To do this, we use a number of different sources: MSCI ESG Research, Carbon4 Finance, SBTi, TPI, CDP, etc. as well as reports by NGOs, brokers and companies.

The companies in our portfolios are subject to regular monitoring and to our priority engagement process, with a particular focus on the most polluting.

We meet with them on a regular basis to follow the concrete trajectory of the company, in particular by confronting and challenging it on the factors mentioned above. This is also an opportunity for us, on the one hand, to understand the strategic significance within the company of the climate approach and the challenges faced and, on the other hand, to encourage them to take action on key milestones:

- The formalized and public commitment to reduce greenhouse gas emissions on all scopes by 2050, according to a scenario aligned with the Paris Agreement and a scientifically valid methodological framework
- Increasing renewable energy capacity and stopping fossil fuel expansion projects
- Promote a drastic and rapid reduction in methane emissions by setting up remote sensing systems and maintenance programmes as well as by definitively limiting gas flaring practices
- Publication of revenue and investment data relating to the European Environmental Taxonomy

These factors also contribute to our thinking on the exercise of our voting rights, particularly in the case of Say on Climate proposed by the fossil fuel company.

We are aware that company transformations are not a short-term matter and must be able to be carried out pragmatically, taking into account the social and financial implications. We may therefore divest from certain players if the trajectory observed and the progress made are too far from the targets communicated and the discussions we have had with company's representatives.

Since 2021, we have also been actively involved in the AFG's Fossil Fuels Working Group, where we contributed to the drafting of a guide on this topic, published at the end of October 2021. In addition, we are part of the Finance for Tomorrow coalition's "Investors for a Just Transition" collaborative engagement and working group on the energy sector.

Exposure to fossil fuels at 30/12/2022

We hold exposure to companies active in the oil and gas sector, calculated across the entire value chain (upstream, midstream, downstream), via investments made in our portfolios:

- **For direct management: €1,466 million, i.e. 6.6% of total AuM**
- **For multi-management: €250 million, i.e. 1.1% of total AuM**

Distribution of oil and gas production and extraction exposures for direct management at 30/12/2022

For oil and gas exposure data broken down into unconventional and conventional, MSCI ESG Research does not provide data on the funds held by our multi-management funds. Therefore, for this section, the amounts presented in euros cover only direct management activity, but the percentage is expressed in relation to the asset management company's total AuM.

The activities covered by this indicator relate solely to upstream, i.e. the extraction and production of unconventional oil and gas.

- Unconventional Oil and Gas:
  - Companies active in this sector: €463 million, i.e. 2.1% of total AuM
  - Active companies, weighted by revenue from these activities: €20 million, i.e. 0.1% of total AuM
- Conventional Oil and Gas:
  - Companies active in this sector: €495 million, i.e. 2.2% of total AuM
  - Active companies, weighted by income from these activities: €64 million, i.e. 0.3% of total AuM

Note on methodology

The results are based on MSCI ESG Research data.

Oil & Gas

Generally speaking, quantifying exposure to fossil fuels is a complex exercise, as not all issuers in this industry are involved to the same extent. Some issuers are completely dependent on oil and gas revenues, while others are exposed but generate only a small proportion of their revenues from this sector.

We have therefore chosen to present the results using two approaches that illustrate this point:

- PAI 4 - "Exposure to companies active in the fossil fuel sector" provides the most conservative view possible, indicating the proportion of our investments in companies active in the fossil fuel sector, whatever the income they generate from this, and across the entire value chain (upstream, midstream and downstream)
- The second indicator reweighs this information with the level of the revenues that each issuer generates through activities linked to fossil fuels.

Unconventional Oil and Gas

The definition of unconventional oil and gas includes oil sands, oil shale, coal and shale extraction. There is no consensus among stakeholders on the inclusion of the Arctic and ultra-deep waters. The indicator we use to present our results is based on the definition of unconventional adopted by the Belgian label Towards Sustainability, which takes into account drilling in the Arctic, both onshore and offshore. However, it does not include ultra-deep offshore oil and gas activities. Nevertheless, this may change in the near future, as the French and Belgian labels undergo further development.

Focus on our commitment to these companies

Commitment on thermal coal

Since 2020 and the implementation of our thermal coal investment principles, based on the Global Coal Exit List of the NGO Urgewald:

- We have divested from certain companies (4) whose coal exit strategies were not in line with the international calendar or were not sufficiently robust.
- We have continued to provide long-term support to certain players (5) as they move away from thermal coal, and we monitor the fulfilment of their commitments on an annual basis.

Beyond the Urgewald Coal List, we put to the test some of the players we felt it was important to support on thermal coal subject. In 2022, we have had the opportunity to discuss with Veolia about its exposure to coal. We recommended that the company communicate clearly on its coal phase-out plan, its key milestones to 2030-2050, and its results on the associated emissions reduction trajectory. We therefore believe that our engagement with Veolia should continue..

Commitment on Oil and Gas

- We have been supporting a number of fossil-fuel companies in their energy transition since 2020. Our exposure to fossil fuels (see PAI 4 of the SFDR regulations) remained stable over the year.
- We have stepped up dialogue by 20% (compared to 2021) with our main fossil fuel exposures including issuers such as TotalEnergies, Technip Energies, EDP, Enel and others.
- For several years now, we have been raising these issuers' awareness on key issues: the assessment of their emissions reduction targets by a credible third party, the publication of Taxonomy data, in particular capex data, the implementation of a "Say on Climate" resolution and the integration of a strategy and programs dedicated to just transition.

In 2022, we saw improvements in certain practices:

- Publication of Taxonomy eligibility and alignment data
- Updating and reinforcement of long-term reduction targets with SBTi validations for 2040/2050 and TPI assessments suggesting forward-looking alignments for 2035 and 2050
- Participation in all the "Say on Climate" resolutions and signature of a FIR (*Forum pour l'Investissement Responsable*) declaration calling for the democratisation of "Say on Climate"
- Constructive exchanges on the just transition practices of energy companies (through individual dialogue and the work of the eponymous coalition of which we are a founding member) and identification of initial areas for attention

Ambitions

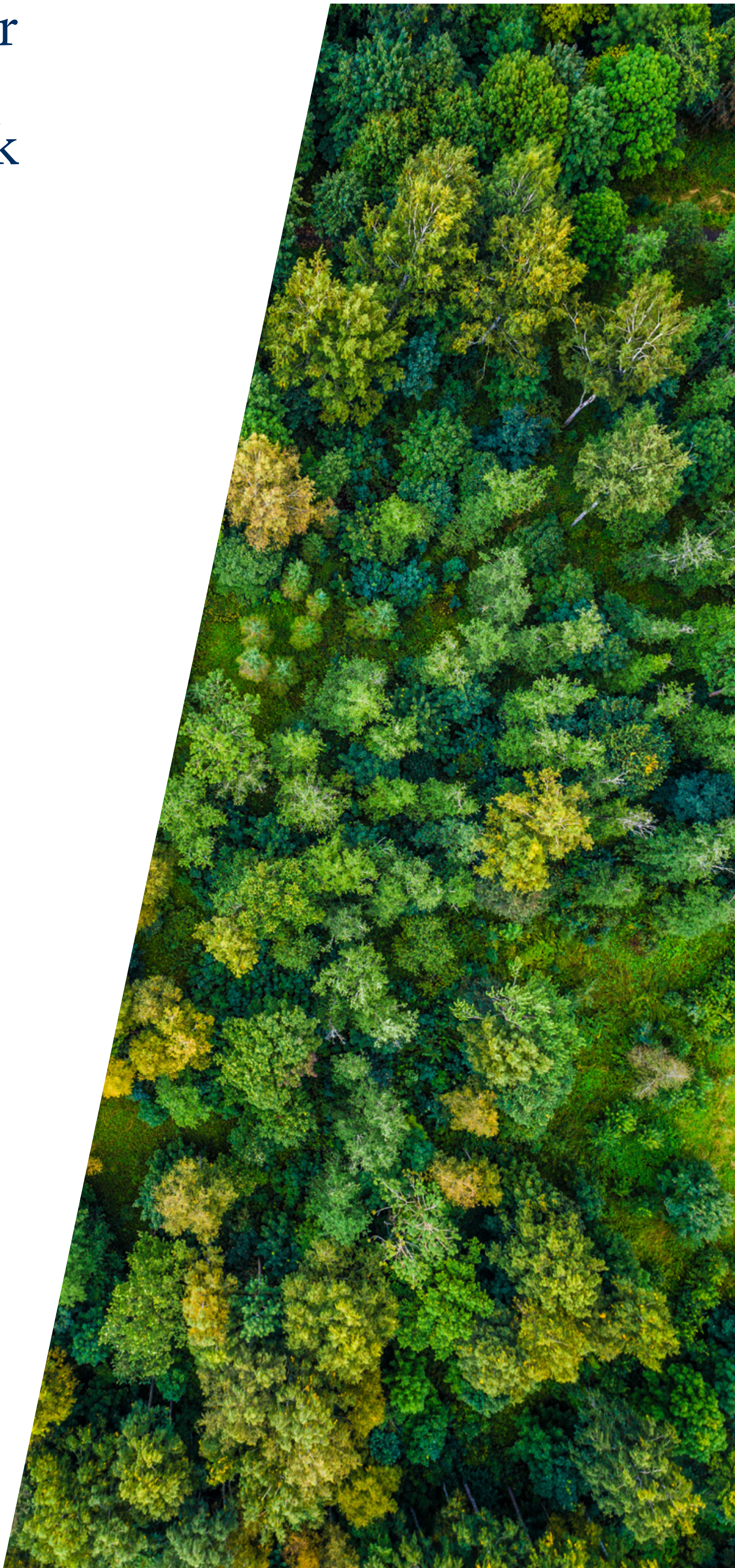
At Rothschild & Co Asset Management, we are convinced that the objectives set by the Paris Agreement will probably be difficult to achieve without a transformation of the energy sector. We remain convinced of the need to support this industry, and in particular certain players, in transforming their product and service mix.

Our ambition is therefore to maintain the course of transition within the energy sector, guided by our quantitative and qualitative analysis to select the issuers best placed to make the transition.

We will continue to mobilise internal resources to ensure regular and constructive individual and collective dialogue (Climate Action 100+ / Investors for a Just Transition) with our stakeholders and to contribute to the inclusion of transition assets in European sustainable approaches, in particular through our participation in 3 working groups on the subject within the AFG and the IFD.

That said, we remain vigilant regarding developments in the various European SRI labels and the introduction of reinforced exclusions for fossil fuels. In this respect, we have taken part in the latest consultations proposed by the various national labels, notably French and Belgian, and hope to see in the medium term the emergence of a framework dedicated to transition strategies at European level, such as that proposed in the United Kingdom.

How we factor sustainability issues into risk management



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> “The theme of transition calls for an assessment of the risks and opportunities associated with short, medium and long-term sustainability issues”

Sustainability risks policy

Definition of sustainability risks

The SFDR regulation introduces the concept of **"double materiality"**, which is based on two distinct but complementary types of risks:

- Sustainability risks: defined as an environmental, social or governance event or situation which, if it occurs, could have a significant adverse impact on the value of an investment;
- Principal adverse impact (PAI): this refers to the negative impact of investment decisions from an environmental, social or good governance point of view.

Sustainability risks include:

- **Physical risks** related to the physical impacts of climate change or the erosion of biodiversity
- **Transition risks** (market, reputational, regulatory, technological and liability) related to financial losses caused by the transition to a low-carbon economy
- **Controversy risks**

These sustainability risks are taken into account in our investment decisions according to the increasing degree of integration of sustainability issues into the fund's strategy. They form part of the financial and ESG risks mapping, and of the controls carried out by the risk and compliance teams.

Control and integration framework

Sustainability risks are managed by Risk Management.

In 2022, Rothschild & Co Asset Management's risk management continued its efforts to integrate sustainability risks into its standard processes. It has significantly refined its sustainability risk mapping by implementing stress tests and monitoring various indicators linked to the 3 ESG areas. The choice of sustainability indicators was initiated by Risk Management in collaboration with the ESG and Financial Analysis, Product Management and Compliance teams and validated with the Management teams.

A precise mapping has been drawn up, detailing the methods used to integrate the risks mentioned and the elements relating to the scenarios considered (probability, impact and timeframe). The control framework is modular, depending on the indicators – it may involve a follow-up of changes in the indicator over time, a maximum threshold not to be reached for the financial product, a warning threshold for the issuer or a formal prohibition on investing. At this stage, the frequency of checks also varies, from daily to every six months, depending on the indicators.

At the same time, risk management is gradually integrating these indicators into operational systems (order placement and reporting tools, ESG database, etc.) to make it easier to monitor them, as well as gradually familiarizing all managers with the diversity of sustainability risks and with the knowledge of the risks incurred by their portfolios.

The control framework is intentionally common to all financial products, regardless of the level of ESG integration in their strategy. Sustainability risks can affect all financial products, regardless of their SFDR classification. It is vital to know and manage portfolio exposure to sustainability risks.

Governance

Risk Management is responsible for measuring and monitoring all the risks associated with portfolio management, including sustainability risks.

On a day-to-day basis, Risk Management monitors the limits imposed by more specific fund constraints (AMF doctrine, SRI or Towards Sustainability labels, SFDR regulations), as well as all the internal constraints resulting from risk mapping.

If these limits are exceeded, Risk Management is responsible for passing on the information within the organisation. These indicators are presented and discussed in a dedicated section of the Risks Committee.

The purpose of the Risks Committee is to carry out a monthly review of risk monitoring of funds and mandates. At this committee meeting, the Risk Management function reports on the performance of its missions, in the presence of the Managing Partners and heads of asset management divisions.

Sustainability risks taken into account

As part of our review of sustainability risks, we identified the following risks:

Field	Risks	Definition	Indicator
Environment	Physical risk	Risk associated with physical impacts, consequences of climate change	Acute Chronic Political and legal
	Transition risk	Risk associated with new economic, political, technological or market conditions	Technological Market Reputation
	Biodiversity	Risk associated with the diversity of living species and the ecosystems in which they live	Loss of biodiversity Scarcity of resources
Social	Diversity and Inclusion	Risk associated with the lack of equal rights and opportunities in terms of access to employment, training, qualifications, mobility, promotion, work-life balance and pay	Remuneration Diversity
	Labour and human capital management	Risk of misuse of employees' knowledge and skills, as well as the risk of human rights violations	Working conditions Regulations
	Health and Safety at work	Risk of workers not being protected against accidents at work and illness is not insured	Infrastructure Hygiene
Governance	Board of Directors	Risk associated with the management body that defines a company's strategy	Non-independence of the Board of Directors Gender inequality Protection of minority interests Remuneration policy
	Business ethics	Risk associated with the behaviour of a person accepting benefits of any kind in order to perform an act within the scope of his or her duties, as well as with litigation	Unethical behaviour
	Transparency of controls and external documents	Risk associated with regular controls of companies and financial/extra-financial documents reflecting their actual status	Regulation

The choice of indicators and thresholds is intentionally the same, regardless of the issuer's geographical area or sector of activity.

For multi-management activities, the mapping is less detailed due to the limited availability of indicators.

Ambitions

Our ambition for 2023 is to take greater account of sustainability risks in our investment choices for all AuM. This will be done in three ways:

1. Enhanced portfolio monitoring, independent of the management teams: Risk Management will communicate the results at portfolio level at a dedicated meeting in order to familiarise portfolio management teams with the many risk mapping indicators and raise their awareness of the most significant risks.
2. Identification of the issuers most exposed to risk: Risk Management will inform analysts on which issuers have been identified as being the most sensitive to sustainability risks. This will result in a comparison with their own analyses and a possible decision to engage with the issuers concerned.
3. Adjustment of the process and the chosen indicators as they evolve: in a context of constant change and improvement in ESG matters, we want to re-evaluate the control framework on a regular basis. Adjustments can be made to selected indicators, levels or types of thresholds, the frequency of calculation, increasing the severity of the alert or introducing "hard" constraints, etc.

For multi-management activities, we pay close attention to the regular release of new indicators by our data provider, which could be an opportunity to expand our mapping.

Further details are available in our Sustainability Risk Policy, published on our website.

Focus on climate risks

The Rothschild & Co Group and Rothschild & Co Asset Management recognise that climate-related physical and transition risks have the potential to destabilise the global economy, leading to unexpected marker changes. We therefore support the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) on taking these factors into account.

Several Group and Asset Management division policies aim to control environmental risks, including climate-related risks, as well as the environmental impact of their products and services. A dedicated TCFD steering group, with the participation of Rothschild & Co Asset Management, and reporting to the Group's Responsible Investment Committee, has enabled progress to be made in examining the materiality of climate risks, focusing on investment activities, in particular:

- Identifying the nature of climate-related risks and opportunities, and action plans for mitigating risks in our various business through a series of workshops
- The possibilities or options in terms of external data and information that we would like to communicate concerning the impact of investments on climate change and the climate risks
- Initiating training on climate change and its consequences for our investment teams, with the aim of empowering them and enhancing their knowledge

In 2022, the Rothschild & Co group published a report on its climate risk mitigation strategy and on the management of its contribution to climate change.

Rothschild & Co Asset Management, in line with its ongoing 2020-21 effort, is once again incorporating the TCFD's recommendations, detailed below, into its Article 29 reporting.

Climate risks were assessed at 2 levels: on the activity, the investments in the portfolio, and on the “corporate” perimeter of the company.

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Focus on our operational climate risks as a company

As the company's structure and business have not changed during 2022, the exercise carried out in 2021 remains fully relevant.

Climate risks for our entity

Type	Dimension	Materiality	Timeframe
Market	Expand our client base and penetrate new markets	High	Short
Market	Seize new investment opportunities by identifying future economic leaders in greater depth	Medium	Medium
Reputation	Define a global vision for Rothschild & Co Asset Management, uniting all employees and clients around common and inspiring objectives	Low	Medium

As an asset management company, the risks associated with climate change can have an impact on our business. We want to determine exactly what is at stake and provide some initial answers:

- Since 2019, we have been offering 2 "Net Zero" open-ended funds. These strategies have since spread more widely, and are now considered a 'must-have' in the asset management market.
- By developing recognised expertise in carbon issues, we are in a position to meet the new expectations of our clients, whether committed institutional investors or private individuals.
- By identifying transition champions, we are able to offer portfolios that are highly differentiated from those of our competitors, who offer solutions that are more focused on low-emission sectors such as renewable energy or technology.
- By uniting our teams around a meaningful project, we will be able to attract and retain talent within our management company.

Opportunities identified

Operational implementation:

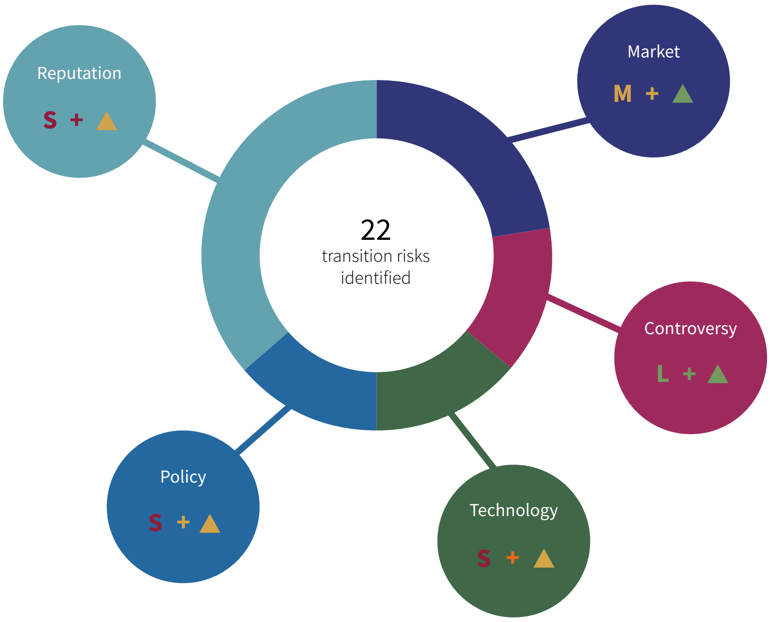
- Step up specific training on climate issues for employees in contact with clients
- Draw up a dedicated communications strategy to develop an "educational" approach to climate change
- Identify additional skills to be acquired (internal or external)
- Go further in the deployment and reliability of climate metrics capable of providing increasingly in-depth insights to investment teams
- More intensive and consistent communication on the global climate strategy in the short, medium and long term

Transition risks

The main transition risks identified for the asset management company relate to the market and reputation.

Changes in client preferences must be very carefully monitored in order to ensure adequate communication on Rothschild & Co Asset Management's climate change initiatives.

Political risks are considered to be of medium materiality, as many restrictive regulations have already been integrated by the investment teams.



Operational implementation

- Formalization of a consistent climate strategy with the aim of putting the majority of our assets on a Net Zero trajectory
- Quantification of climate risks on portfolios and integration of stress tests into risk control procedures
- Launch of a project with the sales teams to gather the information needed to formalise customer preferences
- Map of the data required in the short and medium term, and development of integrated tools to monitor this data

Generally speaking, we are taking greater account of transition risks, which we consider to be more material and over which we have greater leverage. However, certain key questions raised last year highlighted the need to deepen our appreciation of the physical risks associated with our investments. To this end, we renewed our climate risk assessment this year with Carbon4 Finance, the details of which are set out below, and set up a complementary assessment with MSCI ESG Research.

Assessment of our physical climate risks on our investments, by Carbon4 Finance and MSCI ESG Research

Assessment of our profile using Carbon4 Finance's CRIS approach

Risk Management has renewed its physical risk assessment exercise with an external, independent benchmark firm, Carbon4 Finance, using their Climate Risk Impact Screening (CRIS) module.

The CRIS methodology consists of scoring our investments between 0 and 100 (100 being the most risky) according to physical risks, i.e. climatic hazards and their vulnerability to these hazards. It includes the following key elements:

- A geographical and sectoral breakdown for each of the company's activities
- 7 direct hazards and 9 indirect hazards (rise in average temperature, heatwaves, extreme drought, sea level, etc.)
- 2 time horizons: 2050 and 2100
- 3 scenarios of low, moderate and high intensity

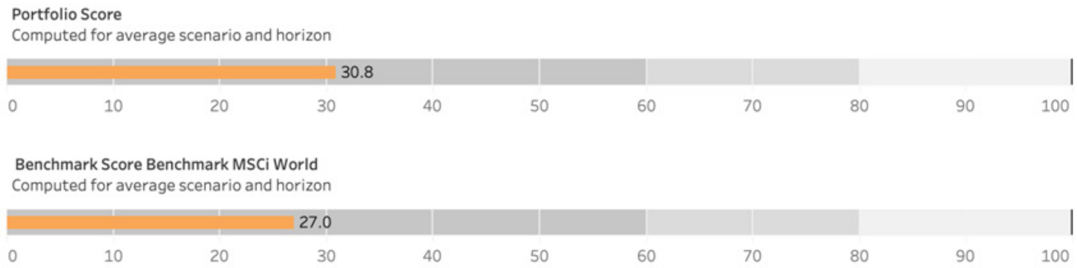
The details and limitations of the model are described in greater detail in the appendix to the report. Transition risks are addressed in the section of this report dedicated to alignment with the Paris Agreement.

Results at 30/12/2022

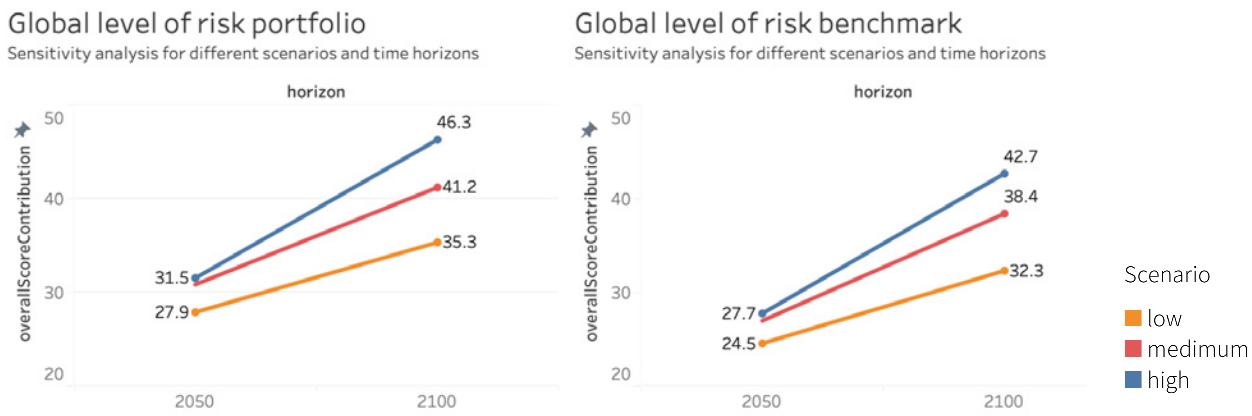
Investments that can be analysed represent only a proportion of the total AuM of Rothschild & Co Asset Management. In fact, certain types of assets, such as investments in funds and ETFs, are not covered by the methodology by default (these represent 23% of our AuM). The same applies to cash (3% of our AuM) and derivatives. In addition, there are issuers not covered by Carbon4 Finance, who account for 4% of our AuM. **Actually, the results presented below for the "Consolidated Portfolio" correspond to an analysis of 69% of the AuM of Rothschild & Co Asset Management.**

Overall risk score and changes over time

The overall risk score corresponds to a multi-risk scoring, established on the basis of the risk scores calculated for the 7 climatic hazards. The closer the score is to 100, the more sensitive the portfolio and therefore the greater the risk of loss in the event of a major climatic event.



Source: Carbon4 Finance, 30/12/2022.



Source: Carbon4 Finance, 30/12/2022.

The portfolio achieves risk scores similar to its benchmark (25 vs 26 for the medium scenario to 2050). In addition, the risk scores for the 3 scenarios cover a fairly wide range, as there are climate differences, depending on the emissions scenario, in the geographical areas where the portfolio entities operate.

Note on methodology

- 2 time horizons are considered, based on IPCC projections: mid-century (2050), end-of-century (2100)
- 3 scenarios are contemplated:
  - Low emissions scenario, below 3°C in 2100, consistent with RCP 4.5 and SRES B1 scenarios (median temperatures rise steadily until 2060, before stabilising for the rest of the century).
  - Medium emissions, above 3°C in 2100, in line with RCP 6.0 and SRES A1B scenarios (median temperatures rise significantly throughout the century).
  - High emissions scenario, above 4°C in 2100, in line with RCP 8.5 and SRES A2 scenarios (median temperatures rise radically and steadily until the end of the century)

Risk score for each of the hazards studied and change compared with last year

	Increase in sea level	Change in frequency and intensity of heatwaves	Change in frequency and intensity of storms	Change in frequency and intensity of extreme droughts	Change in frequency and intensity of extreme rainfall	Change in rainfall patterns	Increase average temperature
Portfolio consolidated	37 (-)	30 (-)	27 (-)	19 (+1)	28 (-)	10 (-1)	16 (-)
MSCI World	39 (-)	29 (-)	34 (-)	13 (-)	29 (-)	12 (-)	17 (-)

Source: Carbon4 Finance, 30/12/2022.

Despite our transition positioning, which means that we are exposed to all sectors, including the most carbon-intensive, Carbon4 Finance's simulations seem to show that this does not imply any excess of climate risk in our portfolios. They suggest that the majority of the players selected have ambitious and credible strategies for reducing greenhouse gas emissions.

A comparison with the previous year's stress tests shows that the results have changed very little.

Aware of the limitations and developments of this type of simulation, we believe it is essential to continue our efforts to engage with these high-quality transition companies, both through dialogue and by exercising our voting rights.

Assessment of our profile using MSCI ESG Research's Climate VaR approach

The frequency, intensity and duration of climatic hazards are constantly increasing, and have a direct impact on the economic and financial performance of companies. In order to integrate these risks into its investment strategies, Rothschild & Co Asset Management measures the Climate Value-at-Risk (Average outcome) on these investments.

Climate VaR is an indicator developed by MSCI ESG Research. This indicator is intended to be in line with the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), which recommends the following method for calculating the impact of climate scenarios on the value of invested portfolios. Climate VaR assesses the potential impact of an extreme climate scenario on a company's market value.

MSCI ESG Research model:

- Covers 300,000 financial instruments, but not funds
- Models ten extreme weather hazards
- Incorporates future technological opportunities
- Calculates and analyses transition risks for +1.5°C, +2°C and +3°C scenarios

MSCI ESG Manager considers 10 specific event scenarios: extreme heat, coastal flooding, river flooding, precipitation, low river flow, tropical cyclones, extreme wind, extreme cold, extreme snowfall and fire. Our supplier also gives us access to an aggregate scenario corresponding to the sum of the results of the 10 previous indicators.

Results at 30/12/2022

Fund / Scope	Climate VaR	Hedging*
R-co Valor	-5.7%	88.6%
RMM Trésorerie	-1.1%	75.6%
R-co Conviction Credit Euro	-10.7%	65.9%
RMM Court Terme	-12.0%	64.9%
OPC obligataire dédié	-8.8%	70.7%
R-co Conviction Equity Value Euro	-10.8%	92.6%
R-co Conviction Credit 12M Euro	-9.0%	74.8%
Rothschild & Co Asset Management portfolio - direct management	**-8.6%**	**75.5%**
MSCI World	-6..0%	98.4%
Bloomberg Euro Aggregate	-9.2%	85.6%

Source: MSCI ESG Research

Note on methodology

*Issuers not covered by the Climate VaR indicator are excluded from the calculation, and portfolios are rebased on the share represented by the assets covered.

The selection of the Climate VaR indicator is based on a new assessment methodology, which is considered in the sustainability risk mapping presented at the beginning of this section.

We have chosen to use the Climate VaR aggregate indicator, whose results are mainly influenced by two of the 10 scenarios proposed: Extreme Heat and Coastal Flooding. The results of these two scenarios vary from one issuer to another and havethe greatest impact on all our assets.

The results calculated for the 2022 financial year, and presented above, accordingly meet recent regulatory requirements.

These results, which we are publishing for the first time, should be interpreted with caution, given the major climatic and financial issues modelled here. For the moment, no methodological consensus has been identified. The approach developed by MSCI ESG Research, which we use, is still relatively recent.

In order to put into perspective results observed on our funds with AuM in excess of €500 million, as well as on our portfolio of direct lines, the results of two main market indices are presented: equity (MSCI World) and bonds (Bloomberg Euro Aggregate). **Comparing these results, we can see that our portfolio, composed of 60% bonds and 40% equities at 30/12/2022, is in the same order of magnitude as the market indices.**

Because of our transition positioning, a snapshot of a situation at a given point in time is not sufficient to reflect the integration of these issues by the issuers in our portfolio, in the absence of a forward-looking approach. A comparison of these results over time might be more relevant.

Transition climate risks are developed in the section of this report dedicated to global warming and to the trajectory of alignment with the Paris Agreement. Risks relating to biodiversity are highlighted in the dedicated section of this report.

Extract from Carbon4 Finance's memo on the limits of assessing the financial impact of climate and biodiversity risks

The decree implementing Article 29 of the Energy and Climate Law requires financial institutions to calculate and publish a "quantitative estimate of the financial impact" of the impact of climate risks, characterised by physical and transition risks, and biodiversity risks. However, these new families of risks involve a high degree of complexity due to the scale and multiplicity of the phenomena involved, and cannot therefore be approached using a simple model.

We agree with Carbon4 Finance on the limitations of calculating a quantitative estimate of the financial impact of these risks. The limits identified are available in the appendix to this report.

Ambitions

Given the different methodologies and challenges that remain in terms of taking climate risks into account, we are opting for a complementary approach. Indeed, our approach to climate risk aims to use different complementary approaches through our sustainability risk mapping, our annual assessments of operational climate risks at company level as well as our physical climate risk assessment via Carbon4 Finance and MSCI ESG Research.

The purpose of these initial exercises is to deepen our knowledge of sustainability risks and provide elements to adapt our internal processes, particularly with regard to stress tests. In this respect, we would like to study the possible further development of assessing impacts on private and sovereign bonds with our service providers.

Our path towards alignment with the Paris Agreement

8

Our philosophy: to take sustainable action in favour of the climate by transforming companies' business models

At Rothschild & Co Asset Management, we have chosen a different path, believing that in order to significantly reduce carbon emissions, comply with the Paris Agreement and meet the targets set by the European Union, we could not avoid taking an interest in the biggest emitters.

90% of greenhouse gas emissions come from the energy and industry sectors. That's why it seems essential to include in our funds securities from the raw materials, energy, construction, chemicals and utilities sectors, that are undergoing a process of in-depth transformation of their business models. We believe that through structured engagement action, shareholders can raise companies' awareness and encourage them to adopt investment plans to accelerate and give credibility to their strategy of alignment with the Paris Agreement. The effects will be felt all the more through the involvement of these major emitters.

Current resources and tools

- Investment principles relating to the thermal coal sector in line with the international coal phase-out calendar, applied to all our investment vehicles. We regularly lower our thresholds in line with the Urgewald recommendations and the Global Coal Exit List
- Fossil fuel investment guidelines (see the section on fossil fuels in this report)
- Consideration of climate and taxonomic information in analysis via MSCI ESG Research, Carbon4 Finance, SBTI and TPI
- Ongoing engagement with priority issuers in the highest contributor sectors
- Monitoring the transition profile of portfolios through monthly or quarterly ESG reporting: green share, percentage of issuers with carbon emission reduction targets, Low Carbon Transition Management Score and distribution of the fund by transition category

Current indicators and alignment measures

- The principal adverse impacts relating to carbon emissions, in line with the SFDR definitions, for a better understanding of each emission item and the biases embedded in our allocations
- Carbon intensity, measured in tons of Scopes 1 & 2 CO_2 equivalent emissions per million euros of revenue... to understand the carbon dependency of the business model and its potential for transformation and alignment with a Net Zero trajectory
- The implicit rise in temperature is a complementary indicator that gives a more concrete idea of the potential contribution to global warming and the deviation from the Paris Agreement target scenario
- Simulations were carried out on:
  - Rothschild & Co Asset Management's total AuM
  - Our funds with AuM in excess of €500 million, including a dedicated fund
  - Our "4Change Net Zero" strategies

		PAI 1- Absolute greenhouse gas emissions				PAI 2 - Carbon footprint				PAI 3 - Carbon intensity				Implicit temperature increase	
Scope	AuM (€m)	Scope 1	Scope 2	Scope 12	Scope 123	Scope1	Scope 2	Scope 12	Scope 123	Scope 1	Scope 2	Scope 12	Scope 123	MSCI ESG Research	Carbon4 Finance
Rothschild & Co Asset Management	22,361	1,140,062	205,660	1,345,722	8,212,891	69 (0)	12 (-2)	81 (-2)	499 (-13)	101 (-10)	26 (-4)	127 (-14)	788 (-135)	2.25 (-0.3)	2.8 (-0.3)
Hedging		86%	86%	86%	85%	86%	86%	86%	85%	93%	93%	93%	91%	77%	66%
R-co Conviction Credit 12M	501	13,730	4,632	18,363	177,330	35 (0)	12 (2)	47 (2)	456 (19)	41 (0)	16 (-12)	57 (-11)	684 (-214)	2.32 (-0.3)	2.7 (-0.8)
RMM Court Terme	949	46,419	5,451	51,870	218,828	82 (-2)	10 (-5)	92 (-7)	387 (20)	112 (-21)	15 (-9)	127 (-30)	626 (-95)	1.59 (-0.3)	2.6 (0)
OPC obligataire dedicated	712	21,506	2,572	24,078	232,878	39 (7)	5 (-1)	44 (6)	430 (-32)	52 (-12)	10 (-8)	63 (-20)	691 (-202)	1.92 (-0.4)	2.9 (-0.4)
RMM Trésorerie	1,703	72,302	8,965	81,267	435,298	65 (1)	8 (-3)	73 (-2)	393 (65)	84 (-21)	11 (-14)	95 (-35)	586 (-120)	1.62 (-0.4)	2.8 (0)
R-co Conviction Credit Euro	1,309	112,393	10,880	123,272	611,708	126 (7)	12 (-8)	138 (-1)	689 (-90)	146 (21)	20 (-12)	166 (10)	964 (-142)	2.7 (-0.4)	3 (-0.7)
R-co Valor	3,183	46,870	28,077	74,947	1,018,623	18 (-14)	11 (0)	28 (-15)	403 (-145)	82 (-46)	40 (1)	121 (-46)	1032 (-624)	2.56 (-0.4)	3.5 (-0.4)
R-co Conviction Equity Value Euro	632	122,482	11,022	133,504	547,861	196 (-10)	18 (-6)	214 (-17)	877 (-62)	192 (-32)	20 (-17)	212 (-49)	1023 (-204)	2 (-0.8)	2.8 (-0.5)
EuroStoxx	632			63,208	367,990	88 (2)	15 (-4)	103 (-2)	602 (11)	117 (-32)	35 (-22)	152 (-54)	960 (-61)	2.16 (-0.6)	2.8 (-0.4)
BBG PAB Europe	632			34,054	218,145	45 (5)	10 (0)	55 (5)	353 (20)	53 (-25)	19 (-8)	72 (-32)	725 (7)	2.02 (-0.2)	2.4 (-0.7)
R-co 4Change Net Zero Equity Euro	118	6,701	1,187	7,889	57,826	58 (5)	10 (-3)	68 (2)	498 (-149)	80 (-7)	16 (-10)	96 (-17)	750 (-200)	1.74 (-0.5)	2.2 (-0.9)
R-co 4Change Net Zero Credit Euro	49	1,637	510	2,147	16,682	43 (-2)	13 (-2)	57 (-3)	440 (-47)	77 (-21)	28 (-4)	105 (-25)	712 (-152)	1.87 (-0.6)	2 (-0.9)
Measurement units		TCO2e - MSCI ESG Research				TCO2e/MEUR (VE) - MSCI ESG Research				TCO2e/MEUR (CA) - MSCI ESG Research				MSCI ESG Research	Carbon4 Finance

In brackets, change compared with 2021 year-end figures

Carbon emissions of our portfolios are proportional to their AuM (the larger the amount of AuM, the greater the carbon emissions). By its very nature, this concept does not apply to an index. To enable comparison with our portfolios, we have considered the same assets under management as the R-co Conviction Equity Value Euro fund.

Source: Rothschild & Co Asset Management, MSCI ESG Research, Carbon4 Finance, 30/12/2022

Main conclusions

- Scope 1 emissions are relatively high, given our transition bias and our greater exposure to fuel-intensive industrial processes.
- With relatively low exposure to the services and technology sectors, Scope 2 emissions appear to have little impact on our carbon footprint.
- Scope 3 emissions are an important parameter in our carbon performance because of our exposure to global issuers with carbon-intensive upstream and downstream value chains. In addition, our weighting in the financial sector also contributes to Scope 3 emissions at this stage, as financiers of all sectors. However, this trend should ease over time, given the commitments made (Net Zero Banking Alliance / Net Zero Asset Managers initiative) and regulatory incentives.

The carbon footprint in Scopes 1 and 2 is down very slightly compared with 2021, both at the level of the management company and at the level of our main portfolios. The carbon footprint including Scope 3 is decreasing more significantly, by 13 TCO2e/MEUR for Rothschild & Co Asset Management. This decrease is explained by sales and reductions in the positions of issuers particularly exposed to GHG emissions in Scope 3. This is particularly visible in the portfolios that held the issuers concerned, as diversification is by design weaker at fund level than at the management company level.

In a similar way, the carbon intensity of our portfolios is following the same trend, with a moderate decrease in Scopes 1 and 2, and a much more significant decrease when Scope 3 is included, of -135 TCO2e/MEUR for the management company.

Finally, with the help of two data providers, we calculated the impact of our investments on temperature rise. We calculate an impact of +2.25°C and +2.8°C respectively with these two partners, down by 0.3°C compared with 2021 in both cases. This change is in line with that observed for our main benchmark indices.

By analysing the results at a more granular level for our portfolios, we find results consistent with the variations in carbon footprint and intensity, with a particularly marked decline in portfolios that have reduced their Scope 3.

Limits

- Scope 3 : At this stage, we observe, compare and monitor the Scope 3 emissions provided by our data providers. For issuers whose Scope 3 may be significant, these elements may be considered in the investment case. Scope 3 data is not standardised, is still poorly understood by issuers and is subject to double counting.
- Carbon intensity: At Rothschild & Co Asset Management, we focus on carbon intensity rather than carbon footprint. The carbon footprint is based on enterprise value, which varies depending on the valuation of stocks and debt. Thus, it is subject to the hazards of the market and can change on a daily basis. Carbon intensity is based on a company's annual revenue and measures the business model's CO2 capital intensity. Revenue information is disclosed by companies in a standard and recurring manner and does not depend on the financial market valuation.
- Implicit temperature increase: This indicator seems understandable, but methodological biases between providers remain considerable and give rise to significant discrepancies, as presented in this report. We seek to take into account the temperature profiles of our issuers by favouring scientific approaches and in particular the targets set as part of the Science Based Target initiative..

Ambitions & commitments – Net Zero Asset Managers initiative

Rothschild & Co Asset Management's strategy of alignment with the international targets for limiting global warming set out in the Paris Agreement covers the AuM of open-ended direct funds, representing 60% of our AuM, by November 2022. At 30/12/2022, as a result of changes in AuM and market performance, this proportion represents 58% of total AuM, or €12,956 million. This commitment was made as part of the Net Zero Asset Managers initiative:
https://www.netzeroassetmanagers.org/signatories/rothschild-co-asset-management-europe/

As such, we are committed to support (i) the Net Zero objective by 2050, to limit global warming to 1.5°C and (ii) investments aligned with the Net Zero objective.

To do this, we chose one of the methodologies of the Science Based Target initiative (SBTi): Portfolio coverage, i.e. as the percentage of companies with climate science-based objectives and aligned with a 1.5°C temperature rise scenario.

We have set an intermediate target for 2030, and aim to hold 75% of companies with targets in line with a 1.5°C scenario, within the basket of assets held through our open-ended direct funds.

The Science Based Target initiative establishes GHG emissions reduction frameworks in line with a 1.5°C scenario for each sector (note that no framework for the energy sector has been finalised at this stage).

Targets are considered to be "science-based" if they are consistent with the most recent climate science and if they correspond to the levels of reduction needed to achieve the objectives of the Paris Agreement - limiting global warming to 1.5°C above pre-industrial levels. Companies committed to the initiative have 24 months to have their greenhouse gas reduction targets validated. All emission Scopes are considered. Targets must cover both Scopes 1 and 2. For companies whose Scope 3 emissions account for more than 40% of their total emissions, targets must cover all scopes.

This commitment does not cover dedicated products for which the management company is obliged to respect the constraints expressed by the client.

Funds of funds are also not covered. Although climate ambitions are part of our due diligence processes (at the level of the management company and the fund under review), no formalised approach has been defined for funds of funds and no consensus in terms of methodologies and mechanisms seems to be emerging among our underlying funds. The definition of a 'Net Zero' approach to multi-management currently seems premature. Nonetheless, we believe that recent regulatory developments in this area, combined with better dissemination of sustainable characteristics, particularly via EETs, should enable us to continue our data collection work. At the same time, we are also working to strengthen the due diligence questionnaire by addressing alignment with the Paris Agreement and the methodologies used. These elements should enable us to better integrate these issues into our multi-management activity.

In addition to this objective, since 2019 we have been deploying our strategy dedicated to achieving Net Zero via a transition approach in the context of an open-ended fund invested in European equities, R-co 4Change Net Zero Equity Euro, and an open-ended fund invested in corporate bonds, R-co 4Change Net Zero Crédit Euro.

All the elements relating to the alignment strategy of the two Net Zero funds are detailed in Rothschild & Co Asset Management's direct management transparency code, available on the website of the management company.

We continue to strengthen our engagement levers with issuers to encourage them to adopt a Net Zero approach and increase their green investments.

Assessment of our profile using the SBTi approach

Results at 30/12/2022

Fund / Scope	Target Set	Committed	Out of scope
R-co Valor	27.9%	22.1%	0.0%
RMM Trésorerie	38.6%	20.7%	4.9%
R-co Conviction Credit Euro	20.0%	18.2%	0.2%
RMM Court Terme	42.9%	20.1%	6.5%
OPC obligataire dédié	14.1%	13.5%	0.3%
R-co Conviction Equity Value Euro	50.6%	17.9%	0.0%
R-co Conviction Credit 12M Euro	22.8%	28.3%	1.3%
Total NZAMi scope	**28.6%**	**17.1%**	**12.1%**
Portefeuille Rothschild & Co Asset Management – gestion directe	**29.4%**	**18.2%**	**7.2%**

Source: MSCI ESG Research

The "Out of scope" section covers positions not identified by MSCI ESG Research. These include cash, derivatives, private assets and structured products.

At 30 December 2022:

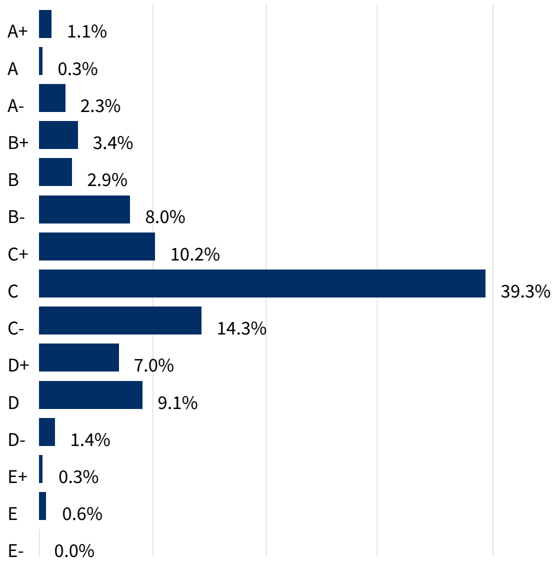
- **Over 29% of our AuM are invested in issuers whose carbon emission reduction targets are in line with the Paris Agreement according to SBTi.**
- **Over 18% of our AuM are invested in issuers that have entered a process of validating their carbon emission reduction targets.**
- **This represents a total of 47% of our AuM.**

The analysis of the results for these indicators is carried out on all Rothschild and Co Asset Management assets under direct management, and does not cover funds of funds for which MSCI ESG Research does not currently provide data. The latest communication from MSCI ESG Research announces the development of fund-level indicators scheduled for Q3 2023.

Carbon4 Finance assessment of our carbon profile

In addition to the information presented above, we decided repeat the assessment of our carbon footprint for all our investments using Carbon4 Finance's Carbon Impact Analysis (CIA) solution. **Given the methodological limitations of the CIA model detailed in the appendix, it was only possible to carry out this assessment on part of our assets under direct management, i.e. almost €15 billion (70% of AuM).**

Breakdown of overall CIA ratings for Rothschild & Co Asset Management's consolidated portfolio



Source: Carbon4 Finance, 30/12/2022.

Carbon Impact Ratio (CIR)

The Carbon Impact Ratio (CIR) is the ratio between saved emissions and induced emissions (Scope 1, 2 and 3). It can be used to identify companies that have significantly improved the carbon efficiency of their operations, as well as companies that sell products and solutions leading to a reduction in GHG emissions over their lifetime. A company's CIR will increase if the saved emissions increase or if the induced emissions decrease. The CIR therefore represents a company's ability to reduce GHG emissions in relation to the emissions generated by its activity and products.

As such, it represents a company's contribution to the transition to a low-carbon economy.

	CIR – 2022
Rothschild & Co Asset Management portfolio	**0.16**
Equities	0.13
Bonds	0.19
MSCI World	**0.06**
Bloomberg Euro Aggregate	**0.19**

Source: Carbon4 Finance, 30/12/2022.

Induced emissions are emissions resulting from the activities of an entity (the company's carbon footprint).

Saved emissions are a measure of an entity's contribution to climate change mitigation, and are the sum of avoided emissions and reduced emissions:

- Avoided emissions are the differences between induced emissions and a benchmark situation.
- Reduced emissions are emissions resulting from the entity's own efficiency improvements relative to a base year.

Main conclusions

In line with our transition approach, our investments are mainly concentrated on 'average' players, with the most credible and significant trajectory and impact trajectory and impact potential. **In 2022, the average score is more or less the same as in 2021, at C.** Players with a rating below "C" have been selected as transition players whose transformation to decarbonized models should generate significant impacts and help limit global warming. In the absence of improvement and positive change in their medium-term climate trajectory, these holdings will be reconsidered and, if necessary, divested from the portfolios.

The fact that Rothschild & Co Asset Management consolidated portfolio has a higher CIR than the indices indicates that the management company has been more successful in identifying opportunities and players in the climate transition.

Our integration of long-term biodiversity goals

9

Acting in favour of the climate involves preserving biodiversity: safeguarding biodiversity and mitigating climate change are two fundamentally linked issues.

Biodiversity is necessarily affected by climate change and its consequences – including drought, melting of the ice caps, rising sea levels and others – which disrupt increasingly precarious balances and harm all species, including humanity. On the other hand, damage caused to ecosystems – deforestation, overfishing, water pollution and others, have a material impact on climatic regulation.

In line with our approach as a responsible investor and our initiatives in favour of the climate, in 2022 we joined the Finance for Tomorrow working group, now named as Institut de la Finance Durable, on the theme of biodiversity.

Our aim is to gain a better understanding of this issue, to raise awareness among economic players of their impact, and to contribute to the emergence and dissemination of best practices, or even to act in favour of changes in regulations. We also established a partnership with Carbon4 Finance and CDC Biodiversité, two benchmark organisations on environmental issues, in order to measure the impact of our investments, while seeking to identify their main causes.

With this in mind, we want to define the most relevant methodology and indicators to enable us to take into account the risks and opportunities associated to them and, ultimately, help to steer financial flows towards players offering concrete solutions.

Current resources and tools

- Biodiversity-related elements are taken into account via MSCI ESG Research's environmental analysis and rating. These issues are considered material for the 5 GICS macro-sectors covered (energy, materials, community services, industry and basic consumption)
- Integration of Carbon4 Finance and CDC Biodiversité's biodiversity footprint into the internal rating system, a management tool for equities.

Current indicators and alignment measures

- MSA.m²/€k invested ratio and its temporal and spatial distribution, helping to assess transition risks
- Distribution according to 4 of the 5 IPBES pressures - invasive species not covered at this stage by the BIA-GBS methodology, helping to understand transition risks
- Dependency score, revealing the level of associated physical risk

As with the temperature calculations for our consolidated portfolio, we therefore turned to Carbon4 Finance, and in particular to their Biodiversity Impact Analytics (BIA) model, to carry out this section. The BIA methodology is based on the Global Biodiversity Score (GBSTM), a biodiversity footprint measurement tool developed by CDC Biodiversité. The details and limitations of these models are set out in greater detail in the appendix to the report.

Of our total AuM, €13.9 billion are covered by the BIA model, representing almost 68% of AuM. Among the 32% not covered, we find the external funds underlying our multi-management activity, derivatives and cash, which account for 26%; as well as some unhedged equities and bonds, which account for 6% of the management company's total AuM.

Results at 30/12/2022 and impact of investments

The biodiversity footprint, measured in MSA.m², expresses the loss of biodiversity over a given area. Transition risk is assessed via the biodiversity footprint, as it is considered that the larger a company's footprint, the greater its exposure to transition risk.

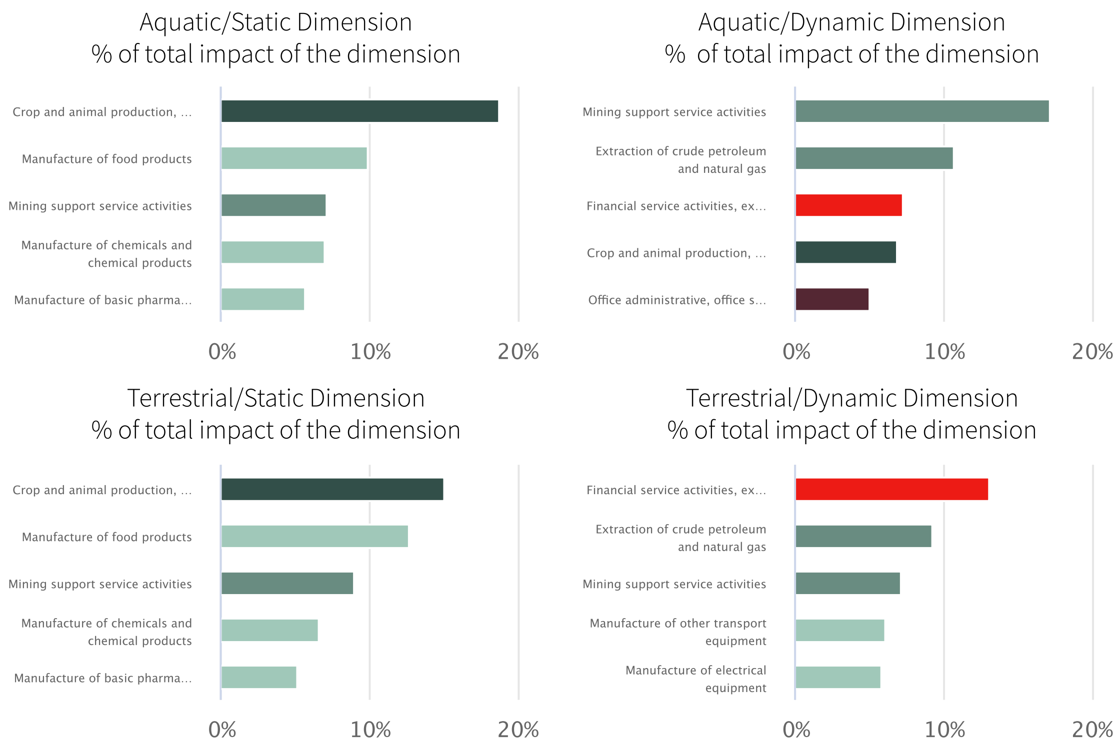
MSA.m²/ euro invested intensity ratio

	Consolidated portfolio	MSCI World
Static Terrestrial	87 (-36)	85 (+12)
Dynamic Terrestrial	3 (-1)	3 (-)
Static Aquatic	6 (-2)	7 (+1)
Dynamic Aquatic	0.1 (-)	0.1 (-)

Source: Carbon4 Finance, 30/12/2022

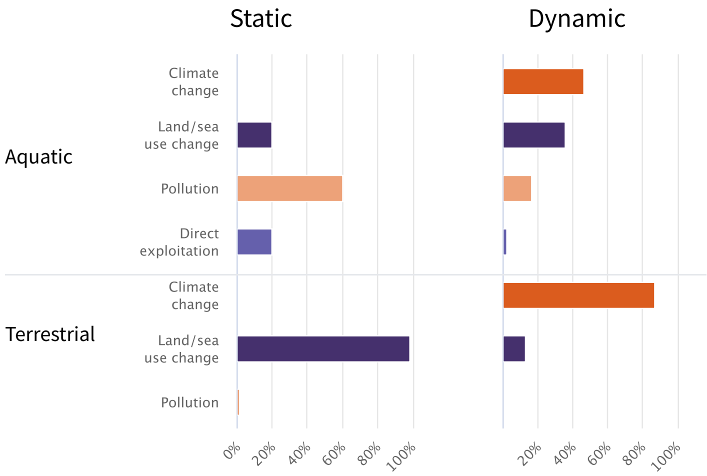
Our transition positioning involves sector overweights compared to the index in industries such as utilities, mineral, metal and energy extraction and transport, which have a greater historical impact on biodiversity than the index in question.

Top 5 sectoral distributions (NACE) of companies and financial institutions in MSA.km²



Source: Carbon4 Finance, 30/12/2022.

Breakdown by IPBES pressure of impacts financed by the consolidated portfolio



Source: Carbon4 Finance, 30/12/2022.

The graphs above show a detailed breakdown of the impact on biodiversity by pressure for the static and dynamic accounting categories, as well as the terrestrial and aquatic domains (freshwater only).

As an investor committed to the climate and particularly exposed to (i) multinational companies and (ii) major players in the transition, the 2 main pressures are therefore climate change and the use of land and sea.

Dependency score by Scope

The dependency score quantifies the dependency of the portfolio's constituents on the 21 ecosystem services, i.e. the services provided by nature (pollination, water purification, etc.) and is calculated on Scopes 1 and 3.

	Consolidated portfolio	MSCI World
Average dependency score		
Scope 1	10% (-1%)	11% (-)
Scope 3 - Upstream	11% (-)	11% (-)

Source: Carbon4 Finance, 30/12/2022.

The dependency score for Rothschild & Co Asset Management investments on Scope 1 is 10% and that on Scope 3 is also 11%, in line with the index.

Biodiversity alignment score

The method used to assess a portfolio's position in relation to these objectives is the convergence method. With this method:

- Static target intensities (terrestrial and aquatic) are defined for each sector.
- Companies whose two intensities, aquatic and terrestrial, are higher than the target intensity must converge towards this intensity.
- Other companies are considered to have no effort to make.

Here, the score is measured for 2021: it thus reveals **the proportion of the portfolio invested in companies whose two static intensities (aquatic and terrestrial) are below the average for their sector to date.** The non-aligned portion corresponds to companies that are expected to seek alternatives to their activity in the short term. This score needs to be supplemented by a **forecast score for 2030 and 2050**, but the lack of data on companies' biodiversity objectives and trajectories means that we are unable to make these projections at this stage.

	Consolidated portfolio	MSCI World
Biodiversity alignment score	85.5	82.0

Source: Carbon4 Finance, 30/12/2022.

Limits

The BIA-GBS methodology has certain limits. Based on revenue, the calculation of the impact on ecosystems does not take into account the place and conditions of production, but rather the geographical distribution of sales. This recent methodology (launched in July 2021) is based on estimates of companies' biodiversity footprints according to Carbon4 and CDC Biodiversité's own methodology (there is no market methodology to date). Calculated using sector ratios, these biodiversity footprints cannot be compared between companies or within the same sector. The BIA-GBS indicators should therefore be used as part of trend analyses. It should be noted that the methodology does not cover invasive species and salt water at this stage.

Ambitions

Following discussions with Carbon4 Finance and CDC Biodiversité, broker studies and discussions with a number of issuers, it does not seem feasible, robust or credible at this stage to set out an alignment strategy and trajectories. Although reference frameworks continued to be structured during the year, we consider that the data available to us is not yet sufficiently mature to compare issuers with each other and to determine the evolution of their impacts on biodiversity on a forward-looking basis. At the same time, solutions dedicated to biodiversity are still emerging in the business models of the listed companies that make up our investment universe.

We have therefore decided to put the creation of a dedicated biodiversity strategy on hold, but continue to monitor market developments in this area. The entry into force of the 4 other environmental objectives of the taxonomy and the first SBTN (Science Based Target for Nature) proposals should help to integrate biodiversity issues. In the meantime, we have been able to benefit from the developments of Carbon4 Finance and CDC Biodiversité and assess the alignment score of our investments.

That said, since last year we have been working on integrating biodiversity data into our internal rating system, an equity management tool, and have identified initial indicators as part of our sustainability risk monitoring. At the same time, we have begun to integrate biodiversity issues into our engagement activities, giving priority to dialogue with issuers for whom biodiversity is a significant issue. These various elements will be explored in greater depth over the coming years.

Principal Adverse Impacts – PAI report (SFDR)

10

Committing to reducing the principal adverse impacts (PAIs) associated with our investments

As a transition portfolio manager, we believe that to significantly reduce the negative impacts of our investments we cannot simply ignore those companies that are the least virtuous and are the biggest contributors to a particular change.

The principal adverse impacts (PAIs) as defined by SFDR are an investment decision's negative impact of an environmental, social or governance (ESG) challenge. We use them as a complementary tool for monitoring our sustainable trajectories and our investment choices.

We believe that, through pragmatic exclusion mechanisms, a material analysis of sustainability factors and adverse impacts, and a structured engagement action, we as investors can raise companies' awareness of the negative externalities and collateral damage arising from their production models and incentivise them to adopt investment plans that accelerate their sustainable positioning and make it more credible.

Rothschild & Co Asset Management has identified the principal adverse impacts (PAIs) within the sustainability factors on which we seek to prioritise our efforts and our resources for rolling out a investment approach :

Corporate issuers:

- Climat change
  - Greenhouse gas emissions and intensity, Scopes 1 and 2 (PAIs 1 & 3)
  - Implication in fossil fuels (PAI 4)
  - Exposure to issuers not committed to complying with the Paris Agreement (optional climate PAI 4)
- Human rights, business ethics and respect for human dignity
  - Violation of fundamental ethical standards (PAI 10)
  - Gender diversity within governance bodies (PAI 13)
  - Involvement in controversial weapons (PAI 14)
  - Exposure to issuers with weak anti-corruption processes (optional social/human rights PAI 15)

Sovereign issuers:

- Human rights, business ethics and respect for human dignity
  - Exposure to countries that are in violation of human rights and subject to sanctions accordingly (PAI 16)

	Items taken into account	Avenues for reflection and improvement
Climate Change	▪ Thermal coal exclusion ▪ Integrating climate factors into selection: environmental pillar rating, analysis of the environmental profile and controversies, alignment potential with the Paris Agreement ▪ Priority engagement on polluting sectors and main carbon-intensive players, the main contributors to the portfolios' carbon intensity ▪ Monitoring carbon and transition profile of portfolios via the monthly ESG report ▪ Supporting the Polar Pod expedition and 1% for the Planet	▪ Lowering thermal coal exclusion thresholds in accordance with the international phase-out calendar ▪ Reducing our carbon intensities and placing our investments on a Net Zero trajectory ▪ Diminishing exposure to fossil fuels by achieving our engagement objectives (methane, green capex plans, etc.) with priority issuers and strengthening our divestment procedures ▪ Increasing the number of our portfolio companies aligned with the Paris Agreement
Human rights, business ethics and respect for human dignity	▪ Exclusions relating to controversial weapons, international sanctions and the UN Global Compact (UNGC) ▪ Integrating social and governance factors in the selection process: Social and Governance (S&G) pillars rating (minimum 33%), analysis of S&G profile and in particular controversies and respect for human rights, and alignment potential with international standards ▪ Priority engagement on increasing the proportion of women on staffs and Board, and as well as on the signing of the UN Global Compact ▪ Monitoring S&G scores and percentage of women on the Board of Directors via monthly ESG reporting ▪ Support for the Café Joyeux initiative	▪ Widening our common exclusion base in controversial weapons and socially harmful products such as tobacco ▪ Structural improving our results with UNGC signatory companies and representation of women ▪ Developing social products within each management capability ▪ Widespread adopting in our ESG reports of social indicators pertaining to inclusion and/or a fair transition

Our policy for taking into account the principal adverse impacts in sustainability is available on our website.

We have used the methodology and data of our external service provider, MSCI ESG Research, as detailed in the appendix, to take account of mandatory PAIs and to define our optional and priority PAIs.

Results for the 2022 financial year, calculated on all Rothschild & Co Asset Management assets

Indicators applicable to investments in investee companies

	Adverse sustainability indicator	Metric	Impact 2022 *(average quarterly)*	Coverage rate on eligible assets**	Coverage rate on total assets***
Climate and other environmental-related indicators					
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions in tons of CO2 equivalent	**1,110,964**	86.2%	80.0%
		Scope 2 GHG emissions in tons of CO2 equivalent	**212,615**	86.2%	80.0%
		Scope 3 GHG emissions in tons of CO2 equivalent	**6,695,425**	85.3%	79.1%
	2. Carbon footprint	Carbon footprint in tons of CO2 equivalent per million euros invested	**512**	85.3%	79.1%
	3. GHG intensity of investee companies	GHG intensity of investee companies	**816**	89.7%	83.2%
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector (%)	**9.4%**	95.4%	89.3%
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources (in %)	**76.1%**	82.3%	77.0%
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	**1.15**	75.21%	70.5%
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas (expressed as a %)	**0.01%**	91.2%	85.3%
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	**27.9**	18.7%	17.5%
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	**5.8***	39.0%	36.5%

**With regard to PAI 9 (Hazardous waste and radioactive waste ratio), as the levels have changed drastically for methodological reasons, the data used in our document presents the result at 30/12/2022, rather than the quarterly average for 2022.*

***The coverage rate for eligible assets shows the percentage of assets returning data out of the total number of eligible assets, i.e. subject to the selected PAI.*

****The coverage rate on total assets shows the percentage of assets returning data on all the assets in the portfolios.*

The 2022 exposure or investment share impacts are based on the assets covered (last column of the table) and not on total assets. With no estimates currently available for issuers not covered, this approach seems more conservative at this stage.*

Adverse sustainability indicator		Metric	Impact 2022 *(average quarterly)*	Coverage rate on eligible assets**	Coverage rate on total assets***
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters					
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OCDE) Guidelines for Multinational Enterprises	Share of investment in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (expressed as a %)	0.5%	91.6%	85.7%
	11. Lack of processes and compliance to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (expressed as a %)	35.7%	90.3%	84.5%
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies (expressed as a monetary amount converted into euros)	13.8%	34.4%	32.2%
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	41.4%	92.0%	86.1%
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons	Share of investment in investee companies involved in the manufacture or selling of controversial weapons (expressed as a %)	0.02%	91.5%	85.7%

Mandatory indicators applicable to investments in sovereigns or supranationals

Environment	15. GHG intensity	GHG intensity of investee countries in tons of CO_2 equivalents per million EUR of GDP	264.3	52.6%	9.3%
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations 0% in as referred to in international treaties and conventions, United Nations principles and, where applicable, national law (numerical value)	0% in investment/ 5 via funds	19.4%	3.4%
		Proportion of all investee countries subject to social violations investment as referred to in international treaties and conventions, national law (expressed as a %)	0% in direct / Not available via funds	19.4%	3.4%

***The coverage rate for eligible assets shows the percentage of assets returning data out of the total number of eligible assets, i.e. subject to the selected PAI.*

****The coverage rate on total assets shows the percentage of assets returning data on all the assets in the portfolios.*

The 2022 exposure or investment share impacts are based on the assets covered (last column of the table) and not on total assets. With no estimates currently available for issuers not covered, this approach seems more conservative at this stage.

Adverse sustainability indicator		Metric	Impact 2022 *(average quarterly)*	Coverage rate on eligible assets**	Coverage rate on total assets***
Optional indicators applicable to investments in investee companies					
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investment in investee companies without carbon emissions reduction initiatives aimed at aligning with the Paris Agreement (%)	43.6%	88.1%	83.8%
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption (expressed as a %)	4.7%	89.5%	85.2%

***The coverage rate for eligible assets shows the percentage of assets returning data out of the total number of eligible assets, i.e. subject to the selected PAI.*

****The coverage rate on total assets shows the percentage of assets returning data on all the assets in the portfolios.*

The 2022 exposure or investment share impacts are based on the assets covered (last column of the table) and not on total assets. With no estimates currently available for issuers not covered, this approach seems more conservative at this stage.

Comments and limits

These results are presented in response to the requirements of the SFDR regulation. This is the first year, therefore no analysis comparing previous years can be provided.

The Principal Adverse Impacts cover a wide range of indicators, which at this stage vary in maturity and coverage.

More specifically on PAI 10 (Violations of UN Global Compact and OECD Guidelines for Multinational Enterprises) and PAI 14 (Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons or biological weapons)), residual exposures arise mainly from our multi-management activities. This is because the underlying asset management companies may use different data providers to apply their exclusion policy on fundamental principles and controversial weapons.

While most of the mandatory PAIs correspond to relatively standardised information available to most issuers, some indicators, such as PAI 8 (Emissions to water) and PAI 12 (Unadjusted gender pay gap) have low coverage rates, making it difficult to use them, to study changes over time and to set target levels withing our investments.

Finally, we have noted changes in our supplier's methodology during 2022, which makes it difficult to comment on the levels calculated.

Appendices

A

A - List of open-ended funds and their SFDR classification

Fund	SFDR Article	Label
Elan France Bear	Article 6	
Essor Emerging Markets	Article 8	
Essor Japan Opportunities	Article 6	
Essor USA Opportunities	Article 8	
Martin Maurel Top Management	Article 8	
R-co 4Change Convertibles Europe	Article 8	SRI Label
R-co 4Change Equity Euro	Article 8	SRI Label
R-co 4Change Green Bonds	Article 9	Towards Sustainability Label
R-co 4Change Inclusion & Handicap Equity	Article 9	SRI Label
R-co 4Change Moderate Allocation	Article 8	Towards Sustainability Label
R-co 4Change Net Zero Credit Euro	Article 9	SRI Label
R-co 4Change Net Zero Equity Euro	Article 9	SRI Label
R-co Conviction Club	Article 8	
R-co Conviction Credit 12M Euro	Article 8	
R-co Conviction Credit Euro	Article 8	
R-co Conviction Credit SD Euro	Article 8	
R-co Conviction Equity Multi Caps Euro	Article 8	
R-co Conviction Equity Value Euro	Article 8	
R-co Conviction France	Article 8	
R-co Conviction High Yield Euro	Article 8	
R-co Conviction Subfin	Article 8	
R-co Midcap France	Article 8	
R-co OPAL 4Change Equity Europe	Article 8	SRI Label
R-co OPAL 4Change Sustainable Trends	Article 8	Towards Sustainability Label
R-co OPAL Absolu	Article 8	
R-co OPAL Croissance	Article 8	
R-co OPAL Emergents	Article 8	
R-co OPAL Equilibre	Article 8	
R-co OPAL European Equity Managers	Article 8	
R-co OPAL Modéré	Article 8	
R-co Sérénité PEA	Article 6	
R-co Target 2024 High Yield	Article 8	
R-co Target 2028 IG	Article 8	

Fund	SFDR Article	Label
R-co Thematic Blockchain Global Equity	Article 8	
R-co Thematic Family Businesses	Article 8	
R-co Thematic Gold Mining	Article 6	
R-co Thematic New Consumer Trends	Article 8	
R-co Thematic Real Estate	Article 8	
R-co Thematic Silver Plus	Article 8	
R-co Thematic Target 2026 HY	Article 8	
R-co Valor	Article 8	
R-co Valor 4Change Global Equity	Article 9	SRI Label; Towards Sustainability Label
R-co Valor Balanced	Article 8	
R-co Valor Bond Opportunities	Article 8	
RMM Actions USA	Article 8	
RMM Convertibles	Article 8	
RMM Corporate Variable	Article 8	
RMM Court Terme	Article 8	
RMM Dollar Plus	Article 8	
RMM Indexi	Article 8	
RMM Patrimoine	Article 8	
RMM Trésorerie	Article 8	

B - External asset management companies

In accordance with the scope of application of the Energy-Climate Law and its Article 29 for asset management companies, this report that we publish includes financial products whose financial management has been delegated to a third-party management company, as well as indirectly the external master funds of our feeder funds, except where specified.

Here is the sustainability information on these management companies that we would like to include in our report:

- Ardian : https://www.ardian.com/sustainability
- Astorg : https://www.astorg.com/responsibility
- Banca Patrimoni Sella : https://sostenibilita.bps.it/s/sfdr
- Baron Asset Management Company : https://www.baronfunds.com/about#section-esg
- Carlyle Investment Management : https://www.carlyle.com/impact
- Five Arrows Managers : https://www.rothschildandco.com/en/merchant-banking/responsibility/
- Genesis Investment Management LLP : https://www.giml.co.uk/sustainability/stewardship/
- Keensight Capital : https://www.keensightcapital.com/esg/
- L Catterton Real Estate : https://www.lcatterton.com/impact.html
- Montefiore Investment : https://montefiore.eu/presentation/nos-engagements/
- Ofi Invest Asset Management : https://www.ofi-invest-am.com/fr/finance-durable
- Omnes Capital : https://www.omnescapital.com/engagements/
- PAI Partners : https://www.paipartners.com/responsibility/esg-reports/
- Partech Ventures : https://partechpartners.com/legal-sustainability/#sustainability
- Quaero Capital LLP : https://quaerocapital.com/fr/durabilite/investissement-responsable/apercu/
- Rothschild Martin Maurel : https://www.rothschildandco.com/fr/banque-privee/rothschild-martin-maurel/investir-durablement/
- Sycomore : https://fr.sycomore-am.com/demarche-responsable
- Tikehau Capital : https://www.tikehaucapital.com/fr/our-group/sustainability/main-themes
- UBS La Maison de Gestion : https://www.lamaisondegestion.com/notre-demarche-responsable
- Vega Investment Managers : https://www.vega-im.com/expertises/gestion-responsable

C – MSCI ESG Research methodology

The MSCI ESG Research methodologies are presented under the two links below:

https://www.msci.com/our-solutions/esg-investing

https://www.msci.com/our-solutions/esg-investing/esg-data-and-solutions

For our direct management and multi-management activities, the main criteria used to analyse companies with regard to sustainability criteria are based on the MSCI ESG Research methodology and are as follows:

Environmental Pillar:

study of the company's exposure to risks and/or opportunities related to the environment/specific to its sector and the policies/ strategies implemented to address them. Examples: physical risks associated with climate change, waste management, water stress, etc.

Social Pillar:

study of the company's exposure to risks and/or opportunities related to social aspects/specific to its sector and the policies/strategies implemented to address them. Examples: employee training, product safety, audit of supply chain production practices, etc.

Governance pillar:

study of control bodies (e.g. level of independence of the board, accounting practices, etc.) and governance practices. Examples: good ethical and commercial practice procedures to control and limit the risks of fraud, executive misconduct, corruption, money laundering, antitrust violations, tax controversies and more.

The assessment of sovereign issuers is primarily based on government ratings established by our extra-financial data provider, MSCI ESG Research. To summarise the approach, government ratings are intended to reflect countries' exposure to and management of environmental, social and governance risk factors, which can affect the long-term sustainability of their economies:

Environmental Pillar:

assess the extent to which a country's long-term competitiveness is affected by its ability to protect, exploit and complete its natural resources (energy, water, minerals, agricultural land, etc.), and to manage environmental externalities and weaknesses.

Social Pillar:

assess the extent to which a country's long-term competitiveness is affected by its ability to maintain an active, healthy, well-educated and stable population (basic needs, education systems, access to technology, etc.), to develop human capital based on a solid knowledge base within a framework that favors its development, and to create a favourable economic environment (access to work: rights, market, well-being, etc.).

Governance Pillar:

assess the extent to which a country's long-term competitiveness is affected by its institutional capacity to support the long-term stability and functioning of its financial, judicial and political systems (quality and stability of institutions, rule of law, individual freedoms, corruption, etc.), and its ability to cope with environmental and social risks.

MSCI ESG Research:

We rely on ESG ratings established by MSCI ESG Research, which rates companies on a CCC to AAA (with AAA being the best score). MSCI ESG Research's rating philosophy is based in part on the materiality of ESG issues, in line with our desire to integrate sustainability issues into our analyses.

MSCI ESG Research is based on publicly available data, including:

- Macroeconomic and sectoral data published by governments, NGOs and academic institutions;
- Data taken directly from the publications of the companies studied: annual reports, CSR reports, etc.

To summarize, for each key ESG issue identified per sector (between 3 and 8, depending on the industry):

- MSCI ESG Research assesses the studied company’s exposure to potential risk (based on its business model, its presence in certain countries, etc.) and the policies and actions implemented to manage it;
- Similarly, in the case of an opportunity within the sector under consideration, MSCI ESG Research assesses the company’s exposure to the opportunity and the initiatives that have been taken to address it.

Ratings are assigned on a sector-by-sector basis using a “Best-in-Class” approach, as defined below:

- The scores defined for each key issue are summed up and weighted according to their importance within the sector under consideration in order to obtain an absolute overall score (from 0 to 10);
- MSCI ESG Research analysts then distribute the ratings within the sectors studied (from CCC to AAA). The ratings thus obtained are relative within each sector covered.

The “Best-in-Class” approach favours the highest ESG rated companies within their sector, without privileging or excluding any sector.

In their rating process, MSCI ESG Research analysts integrate any controversies to which companies may be exposed. The ESG ratings are reviewed at least annually and may be revised on an ad hoc basis to integrate a new controversy. The MSCI ESG Research ratings enable us to sort and steer our investment universe transparently.

MSCI ESG Research uses a three-step process to establish the ESG rating of a fund:

- Calculate the "weighted average ESG rating of the fund" on the basis of the ratings available for each issuer.
- If an issuer has no ESG rating available, it is removed from the calculation scope and the remaining ESG-rated issuers are rebased to 100;
- Calculate a positive or negative premium based on the momentum of issuer ratings and exposure to low-rated issuers;
- The final ESG rating of a fund is equal to the product of its previously calculated average ESG rating multiplied by the premium.

To establish PAI data, MSCI ESG Research has developed a series of indicators in line with SFDR requirements by aggregating mainly public information.

The approach of the tool developed by MSCI ESG Research includes the following:

- Identify available data by searching companies' public communications for information on negative impacts on sustainable development:
  - Direct company communications: sustainability reports, annual reports, regulatory documents and company websites.
  - Indirect company communication: data published by government agencies, data from industry and trade associations and third-party suppliers of financial data.
  - Direct communication with companies.
- Raise awareness among companies and present them with the results and data collected via the issuer communication portal, to encourage them to formalise certain elements publicly when the information is not easily accessible
- Offer alternative answers to missing information based on MSCI ESG Research data and estimates

For sovereign issuers, the information is taken from public databases maintained by international bodies.

Reported data and estimated data

The absence of issuer data on certain indicators remains significant, for a number of reasons. These include:

- Existence of companies not subject to reporting requirements
- Lack of relevance of certain indicators for certain industries
- Lack of clear definitions

Given the underlying regulatory objectives of facilitating transparency and communication, MSCI ESG Research focuses primarily on the data communicated by companies, relying as little as possible on their estimates. In some cases, however, where information provided by companies is not available, MSCI ESG Research provides estimated measures.

For quantitative measures, if a company discloses a zero value for a performance indicator, the zero data is collected and recorded for that company. An empty field may mean that the company is not disclosing the data, is not part of the coverage universe or has not yet been researched.

For qualitative measures, when MSCI ESG Research finds no evidence of a publicly disclosed policy, it is indicated that there has been no disclosure by the company. An empty field means that the company is not part of the coverage universe or has not yet been researched.

Data quality

MSCI ESG Research performs automated and manual quality controls on the consistency and accuracy of the data. Their process relies on extractions from its internal databases to identify the conditions that trigger score changes, or any suspicious values.

Aggregation of PAIs at portfolio level

In order to comply with the annual reporting requirements for PAIs at entity level, asset management companies must:

1. Calculate PAIs at portfolio positions level at least once a quarter:
   - For qualitative indicators: the PAI of the position is the PAI of the issuer concerned;
   - For quantitative indicators: the total PAI at issuer level is attributed to the position held in the portfolio, using the size of the position and the company's EVIC:
     - For equities: number of equitys * equity price at the end of the company's financial year
     - For debt: notional value
2. Aggregate PAIs at position level into PAIs at portfolio level;

The results reflect the adverse impact of the sub-portfolio made up of stocks for which the indicator is applicable. For example, indicators applicable to investments in investee companies are based on the sub-portfolio of stocks held in companies.

3. Calculate the annual PAIs to be published on the basis of the four quarterly calculations.

Methodological limits

PAIs and their aggregation at portfolio level are still recent indicators that suffer from their lack of maturity. These include:

- Some PAIs have low coverage rates and therefore lack relevance when calculating the aggregate PAI for a portfolio.
- Recent discussions within the financial community and ESMA's consultation on SFDR have highlighted the lack of uniformity in the methods used by different asset management companies to calculate PAIs. Indeed, different interpretations have been made of the term 'all investments', resulting in very different aggregate PAIs results from one methodology to another. This makes it difficult for the end investor or distributor to compare funds on the basis of their PAIs.
- For our multi-management activity, we base our calculations on the PAIs of funds calculated by MSCI ESG Research. Over the course of 2022, we observed significant methodological changes in some PAIs, which skewed the analysis of their values, quarterly averages and trends over time.

For Taxonomy information

The percentage of revenue aligned with the EU Taxonomy indicates the percentage of a company's (the issuer's) turnover derived from products and services that meet environmental objectives, based on the MSCI Sustainable Impact Metrics framework.

Companies with an environmental controversy score =<1 and a social and governance controversy score =0 are excluded from the list because they do not meet the "Do No Significant Harm" and "Minimum Social Safeguards" criteria of the European Taxonomy. Tobacco producers, companies that derive 5% or more of their revenues from the supply, distribution or retailing of tobacco products, and companies involved in controversial weapons are also excluded.

MSCI ESG Research is working on adjusting these DNSH assessment criteria to comply with the recommendations published in the ESAs' November 2022 SFDR Q&A..

EU Taxonomy Environmental Objectives	MSCI Sustainable Impact - Metrics Environmental Impact Solutions
Climate Change Mitigation	■ Alternative Energy ■ Carbon Energy and Efficiency ■ Green Building1 ■ Sustainable Agriculture (e.g. forest management, no-deforestation provisions)
Climate Change Adaptation	■ Alternative Energy ■ Carbon Energy and Efficiency ■ Green Building ■ Sustainable Water (e.g. drought resistant seeds)
Sustainable Use and Protection of Water and Marine Resources	■ Sustainable Water ■ Pollution Prevention & Control
Transition to a Circular Economy	■ Sustainable Water ■ Pollution Prevention & Control (e.g. recycling)
Pollution Prevention and Control	■ Pollution Prevention & Control ■ Sustainable Water
Protection and Restoration of Biodiversity and Ecosystems	■ Sustainable Water ■ Sustainable Agriculture ■ Pollution Prevention & Control

MSCI ESG Research uses a wide range of information from a variety of tools and sources, including : :

- Company websites
- Company annual reports and regulatory filings
- Government financial agencies and disclosure
- Financial data providers
- Media and periodicals
- Non-governmental organisation (NGO) reports and websites)

MSCI ESG Research has started collecting data published by issuers since the beginning of 2023. Our supplier distinguishes between estimated data and data reported by issuers within the indicators.

Whether the data is estimated or published by the issuers, the initial research and analysis of the data undertaken follows a rigorous quality assurance process. Data accuracy and company profiles are reviewed by a second MSCI ESG Research analyst and then sent to the content managers for final approval. In specific cases where a company's business activity is not clearly defined by the MSCI ESG Research's methodology and no precedent exists, the case is sent to the Head of Research. Cases requiring further interpretation or updating of the methodology are brought to the attention of the MSCI ESG Research Methodology and Impact Screening Committee.

D - EthiFinance methodology

EthiFinance :

EthiFinance has a long history of helping companies and organisations address their CSR challenges, and has subsequently developed an ESG rating business for investors, based on its expertise in analysing sustainability risks and opportunities.

As part of its ESG assessment and monitoring process, EthiFinance carries out an annual review of its ESG assessment framework. This methodological review aims to:

- Check the relevance of indicators
- Check the relevance of scoring models
- Add new indicators (ESG trends, carbon model, etc.)

Ethifinance assessment grid is based on scores attributed to the following criteria, which are equally weighted:

- Economic data
- Governance: composition and operation of governance bodies, remuneration of managers and directors, business ethics, CSR policy and non-financial issues
- Social: characteristics and social policy, working conditions, skills development, equal opportunities, health and safety
- Environment: taxonomic elements, environmental policy and management system, energy and GHGs, water, air, soil and waste
- External stakeholders: relations with suppliers, relations with customers, civil society and product liability
- Controversy severity levels

E - Carbon4 Finance methodology

Carbon4 Finance offers 3 services that we use for our assessment:

- Physical risks through its CRIS module: 3 IPCC scenarios over two time horizons
- Transition risks through its CIA module: Scope 1, 2 and 3 carbon footprint, emissions saved, climate scenarios
- The impact on biodiversity through its BIA-GBS module: MSA.km² Scope 1, 2 and 3, 10 terrestrial and aquatic pressures

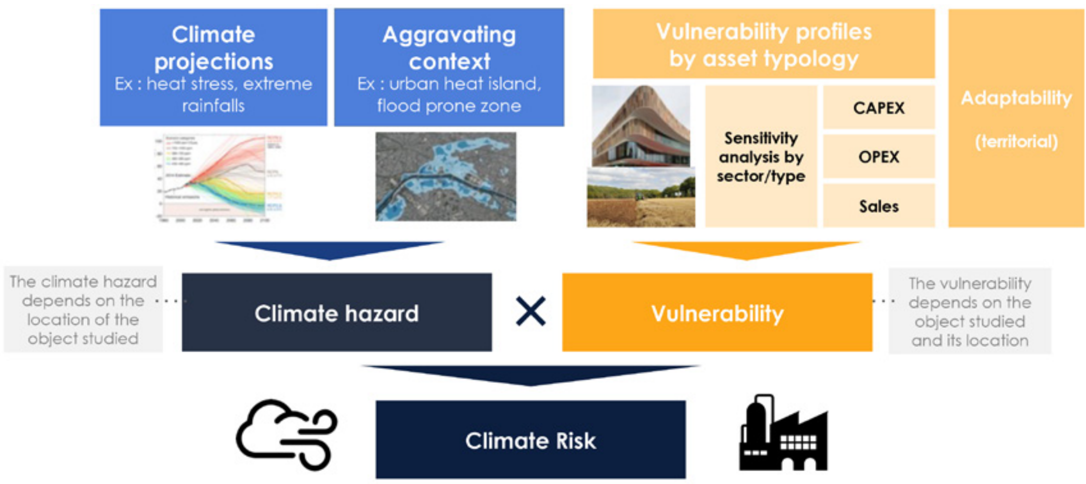
1. Climate Risk Impact Screening

The 4 main methodological pillars of CRIS

1. **A comprehensive approach** based on geographical and sectoral breakdowns for each of the company's activities. This provides an in-depth assessment of the portfolio's physical vulnerability to climate change
2. **7 direct hazards and 9 indirect hazards: a multidimensional approach that takes into account indirect hazards that can aggravate direct hazards**
   - An increase in average temperature
   - A change in the intensity or frequency of heatwaves
   - Changes in extreme droughts
   - Changes in the intensity or frequency of extreme rainfall events
   - Rising sea levels
   - Changes in rainfall patterns
   - Changes in the intensity or frequency of storms
3. **2 time horizons:** taking into account two time scenarios for 2050 and 2100. The model takes into account the entire value chain.
4. **3 different scenarios: low (Below 3°C), moderate (Above 3°C) and high (Above 4°C) from the IPCC**.

Physical risk ratings are based on exposure and vulnerability to climatic hazards

Climate impacts lead to additional financial risks for assets. Climate risks must be assessed at asset level, as the intensity of the climate hazard depends on the specific geolocation and the vulnerability is specific to each sector, or even each asset. For a given activity, the physical risks materialise in terms of assets, the supply chain and revenues.



Source: Carbon4 Finance, 30/12/2022.

A bottom-up analysis based on the geographical and sectoral breakdown of each company's activities

Exposure to physical risk is assessed at the level of the company's sub-activities, for a total of 60 different sub-sectors and more than 230 countries and 8 business regions. At company level, for each climate risk, the risk is a combination of the risks of each country-activity pair, weighted by the business segment's share of revenue.

Sovereign methodology

For sovereign risk, net vulnerability is defined by country, for each climatic hazard and according to the country's exposure and sensitivity to the various climatic hazards. Net sovereign vulnerability is then combined with a measure of economic vulnerability to obtain overall sovereign vulnerability.

Methodological limits of CRIS as communicated by Carbon4 Finance

- The CRIS methodology is limited by its geographical resolution. The climate projections and the company locations are located at country level (except for six countries, which have regional averages: Canada, USA, Brazil, India, Russia and China).
- Furthermore, the methodology is limited in terms of a company's vulnerability profile. This takes into account all the elements in the value chain of a business. However, due to a lack of information, it is assumed that all these elements take place in the same country as the activity analysed. The methodology is therefore unable to trace raw material supply flows geographically, while exposure to climatic hazards varies from one country to another.
- The methodology breaks down a company's activities by revenue. However, for certain highly capital-intensive sectors, it would be more relevant to look at the geographical distribution of the company's assets and production.

Extract from Carbon4 Finance's note on the limits of assessing the financial impact of climate and biodiversity risks

The decree implementing Article 29 of the Energy and Climate Law requires financial institutions to calculate and publish a "quantitative estimate of the financial impact" of the impact of climate risks, characterised by physical and transition risks, and biodiversity risks. However, these new families of risks involve a high degree of complexity due to the scale and multiplicity of the phenomena involved, and cannot therefore be approached using a simple model.

We agree with Carbon4 Finance on the limits of the exercise, which consists in calculating a quantitative estimate of the financial impact of these risks.

The limits identified are as follows:

- Lock-in effect: Requiring financial institutions to publish estimates of this short-term financial impact could lead to the emergence of methodologies that have been put in place in a timeframe too short to ensure sufficient scientific foundation, reliability and robustness. These methodologies would then be locked in, making it difficult for financial institutions to move away from them.
- Single indicator pitfall: Existing models for measuring the financial impact of climate risks generally take only a partial account of these risks. For example, many methodologies focus solely on the carbon tax. The carbon tax makes it easy to incorporate the CO2 externality into financial calculation models. However, this restricts the mapping of the financial impacts that can occur, and we know that while carbon pricing is useful for certain sectors, other transition risks can arise and call into question the business model of companies, such as regulatory bans or market effects.
- Pitfall of using reassuring scenarios: Another pitfall is the use of optimistic scenarios, based on macro-economic models that do not model planetary limits and assume a decoupling between CO2 and GDP. Companies will therefore be allocated good financial results while respecting their climate objectives, whereas in reality, these CO2 reductions will have to be achieved through sobriety actions (e.g. withdrawing from certain markets, reducing production) which would have an impact on their financial statements, or through any other action that is difficult and costly to undertake.

It is in this sense that the results calculated by Carbon4 Finance and presented above reflect a relative approach based on a physical reading of these risks, and deliberately move away from a quantitative and monetary metric. The methodological "safeguards" used, i.e. the exhaustiveness of the impacts considered, the inclusion of the entire value chain (upstream and downstream) and the bottom-up sectoral approach, ensure the robustness of the methodology.

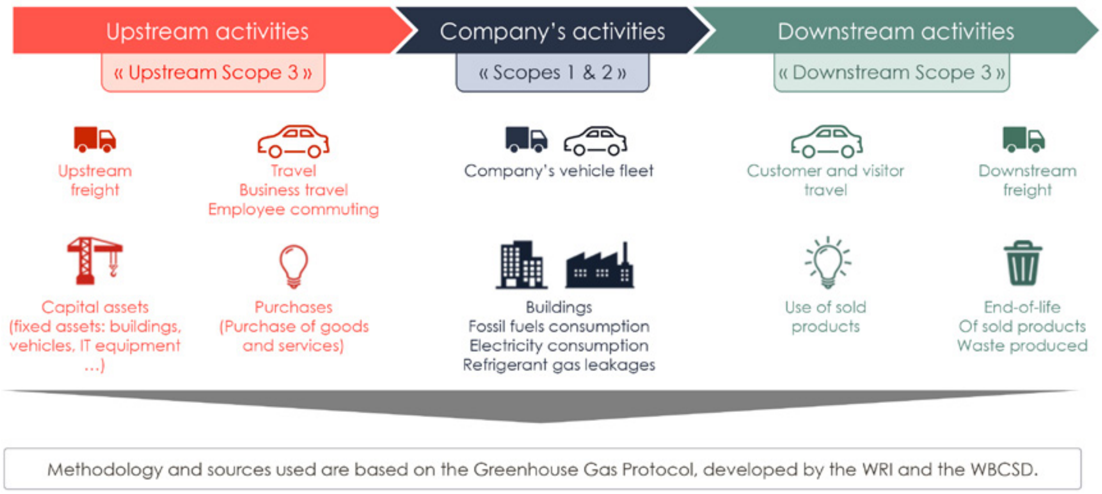
2. Carbon Impact Analytics

The 4 main methodological pillars of CIA:

1. A bottom-up approach, with accurate information and data, comparability and quantitative analysis. The methodology performs an in-depth assessment of the portfolio's components and aggregates them at portfolio level.
2. A study of the entire value chain, including Scope 1, 2 and 3 emissions, to show the 'real' carbon dependency of assets. The sectoral analysis focuses on high-stakes sectors and the methodology eliminates double counting.
3. An assessment of emissions saved: going beyond the carbon footprint to measure the contribution and direct investments towards the assets best positioned for the transition to a low-carbon economy.
4. Forward-looking analysis: a rating system that compares a company's strategy, objectives and investments with 2-degree scenarios and sector benchmarks.

Scopes 1, 2 and 3

The CIA methodology takes into account emissions from scopes 1, 2 and 3 in order to seize climate challenges in a comprehensive way:



Source : Carbon4 Finance, 30/12/2022.

Induced emissions

For companies: Induced emissions are real emissions, i.e. emissions resulting from the activities of an entity - be it a specific project, a company or a sovereign entity. They include both direct emissions (Scope 1) and indirect emissions (Scope 2, Scope 3). Conceptually, induced emissions are similar to what is commonly known as the carbon footprint.

For sovereign bonds: The methodology does not allow saved emissions to be calculated for sovereign issuers, who are therefore excluded from the scope of the calculation in order to maintain consistency between the numerator and denominator.

Saved emissions

For companies and green bonds only: Saved emissions are a measure of an entity's contribution to climate change mitigation, and are the sum of avoided emissions and reduced emissions:

- Avoided emissions are the differences between induced emissions and a benchmark scenario modelled by sector (NACE categorisation).
- Reduced emissions are the emissions resulting from the entity's own improvements in carbon intensity (tons of CO_2 / ton or unit of production) compared with a base year.

The saved emissions indicator is essential for understanding a company's overall carbon performance. It is a powerful tool for identifying companies that are already transforming their business model and for measuring their contribution to the transition to a low-carbon economy.

Carbon Impact Ratio:

Carbon Impact Ratio (CIR) is the ratio between saved emissions and induced emissions (Scopes 1, 2 and 3):

$$\text{Carbon Impact Ratio (CIR)} = \frac{\text{Saved emissions}}{\text{Induced emissions}}$$

Forward-looking analysis

The forward-looking rating is based on the evaluation of objective sub-criteria specific to each sub-sector:

- The company's climate change strategy
- Weight of investment in low-carbon projects or R&D
- Scope 1 & 2 intensity reduction target
- Scope 3 intensity reduction target
- Governance of climate-related risks and opportunities

A company is rated on each of the sub-criteria, on a scale of 1 to 5, according to the actions it plans to take to help mitigate climate change. The thresholds are based on scenarios linked to sector benchmarks and the 2°C trajectory observed in each sector. The company's forward-looking rating is the average of its scores for the five sub-sectors.

Construction of the overall rating at issuer level, the CIA rating

All aspects of a company's carbon performance are aggregated into a single indicator: the overall CIA rating, ranging from 1 (A+) to 15 (E-). It encompasses the past (N-5 raw data), present (N raw data) and future performance of the underlying entity, thus measuring its contribution to the transition to a low-carbon economy: as such, it is a good indicator for quantifying an entity's exposure to the transition-related risks .

The principles for calculating the overall CIA rating differ according to the nature of a company's activity and the underlying entity (companies or bonds).

Portfolio aggregation methodology

- Step 1: Restatement of double counting

  Double counting of emissions occurs when the same tonne of GHG emissions is counted more than once in a portfolio, generally due to the compilation of induced and saved emissions.

  Treatment of double counting within the same value chain

  Measuring Scope 3 indirect emissions can lead to double counting for companies in the same sector, at company level.

  To avoid this first series of double counting, CIA considers that the sum of all induced emissions and saved emissions accumulated during the creation of the final product is proportional to the value added by the company in the creation of the final product. However, the value added by a company on specific products is rarely disclosed, so the CIA methodology calculates the company's share in its value chain.

  Treatment of double counting between different sectors of the global economy

  Double counting also tends to occur between three categories of players in the global economy:

  - Energy suppliers (e.g. the oil company that supplies the fuel)
  - Energy- and carbon-intensive companies (e.g. the truck operating company)
  - Companies supplying equipment and solutions (e.g. the truck manufacturer).

  As a result, the CIA methodology reprocesses the total GHG emissions figures by allocating one third of the emissions from each category.

  Particularly, CIR identifies companies that have significantly improved the carbon efficiency of their operations, as well as companies that sell products and solutions leading to a reduction in GHG emissions over their lifetime. A company's CIR will increase if the saved emissions increase or if the emissions decrease. CIR therefore represents a company's capacity to reduce GHG emissions in relation to the emissions generated by its activity and products. As such, it represents a company's contribution to the transition to a low-carbon economy.

Treatment within a sovereign entity and all companies included in that entity

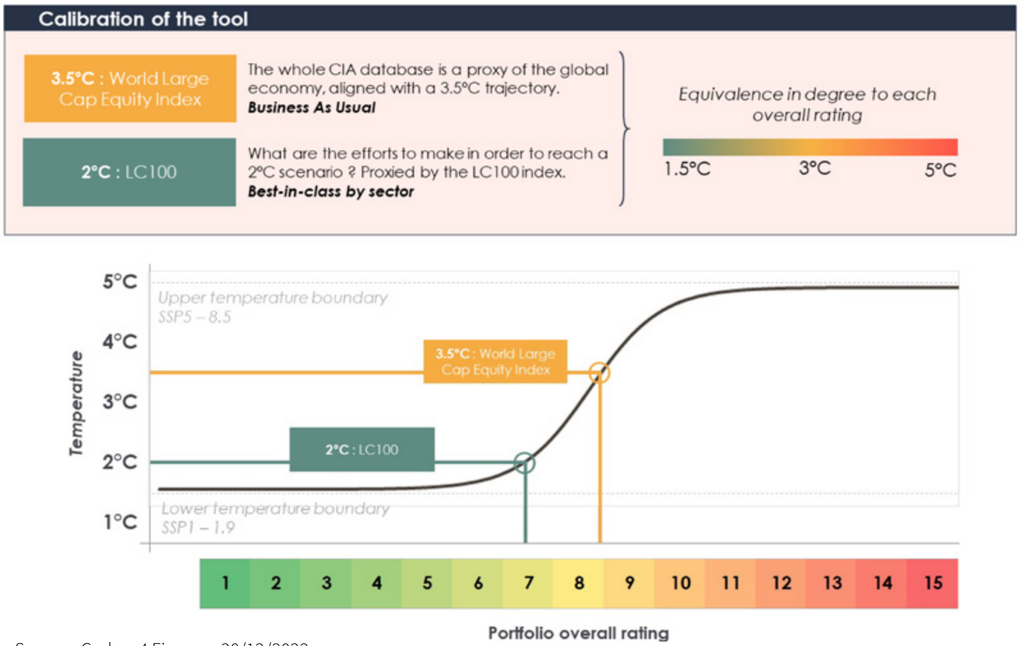
A further elimination of double counting is applied to portfolios. At macroeconomic level, GDP is impacted by corporate and sovereign income. To eliminate multiple accounting in portfolios, a ratio is applied to each category of issuers, representing the company's or sovereign's share of average GDP: 72% for the private sector and 28% for the public sector

- Step 2: Portfolio aggregation

$$\frac{\text{Induced/Avoided emissions of the Company } (tCO_2e)}{\text{Enterprise value (M€)}} \times \text{Portfolio exposure (M€)} = \text{Emissions allocated to the portfolio } (tCO_2e)$$

To align with regulatory recommendations (e.g., PCAF) and requirements (e.g., SFDR), the methodology uses enterprise value including cash in the calculation (EVIC) to represent the value of the issuer.

- Step 3: Calculating a 2°C alignment



Source : Carbon4 Finance, 30/12/2022.

CIA methodological limits as communicated by Carbon4 Finance

- Scope difference between the 2°C reference point (Europe) and the 3.5°C reference point (World): The temperature formula is calibrated using 2 benchmarks: the Low Carbon 100 for the 2°C point (low-carbon economy) and the MSCI World for the 3.5°C point (representing the global economy in a business-as-usual scenario). However, the global listed economy is not the same as the European listed economy, so the calibration is not homogeneous.
- Sovereigns are not included in the methodology.

In addition, certain methodological limits can also affect temperature trajectory calculations

Analyses broken down by sector could lead to a proliferation of underlying assumptions, which would have the effect of opacifying the model and making its rigour more difficult to assess. The margin of error of the results would also increase with the number of assumptions, which could make it more difficult to manage a climate strategy at portfolio level.

3. Biodiversity Impact Analytics

The 5 main methodological pillars of BIA

1. An aggregated metric in MSA (Mean Species Abundance) based on the pressure-impact relationships of the GLOBIO model (Global biodiversity model for policy support). An in-depth assessment of the impact of the portfolio is calculated in MSA.km^2 and corresponding intensities. To align with regulatory recommendations (e.g., PCAF) and requirements (e.g., SFDR), we now use enterprise value including cash in the calculation (EVIC) to represent the value of the issuer. The approach used for sovereigns is consumption rather than production, in order to take account of imports and exports.
2. Biodiversity dimensions: a multidimensional approach integrating the complexity of ecosystems:
   - The spheres of biodiversity: terrestrial and aquatic
   - Temporal accounting: static (stocks) and dynamic (flows)
3. Extended coverage of the value chain: consideration of the impacts of scopes 1, 2 and scope 3 upstream (downstream on a case-by-case basis). The model takes the entire value chain into account.
4. Dependency score: it measures a portfolio's dependency on 21 ecosystem services. The critical dependency score depends on the critical exposure of one or more activities to one or more ecosystem services.
5. Alignment score: the proportion of the portfolio invested in companies whose two static intensities (aquatic and terrestrial) are below the average for their sector.

Pressure on biodiversity

The Intergovernmental Panel on Biodiversity and Ecosystem Services (IPBES) has defined five main pressures threatening biodiversity:

- Changes in land and sea use. The artificialisation of our territory, a major cause of the destruction of habitats and the fragmentation of ecosystems.
- Over-exploitation of resources, both on land and at sea
- Climate Change
- Pollution, which affects all environmental compartments
- Species that disrupt certain local balances

IPBES PRESSURES	GBS / GLOBIO PRESSURES		
	Terrestrial	Freshwater	Marine
Land/sea use change	Land use Fragmentation Encroachment	Wetland conversion	Not yet covered
Direct exploitation	Pressures due to resources extraction (crops, woodlogs, mining...)	Hydrological disturbance due to direct water use	
Climate change	Climate change	Hydrological disturbance due to climate change	
Pollution	Atmospheric nitrogen deposition Terrestrial ecotoxicity	Land use in catchment of rivers & wetlands Freshwater eutrophication Freshwater ecotoxicity	
Invasive alien species	Not yet covered		

Source: Carbon4 Finance, 30/12/2022.

MSA metric

The BIA-GBS™ describes the impacts in terms of soil artificialisation, in MSA.m². A MSA equal to 100% is equivalent to a completely preserved area (e.g. a virgin forest). An impact of 1 MSA.km² is equivalent to the artificialization of 1 km² of undisturbed natural surfaces. The higher the MSA.km² of a portfolio, the greater its adverse impact on biodiversity.

$$\text{MSA.km}^2 = \text{MSA (\%)} \times \text{Impacted area (km}^2\text{)}$$

Static and dynamic impacts

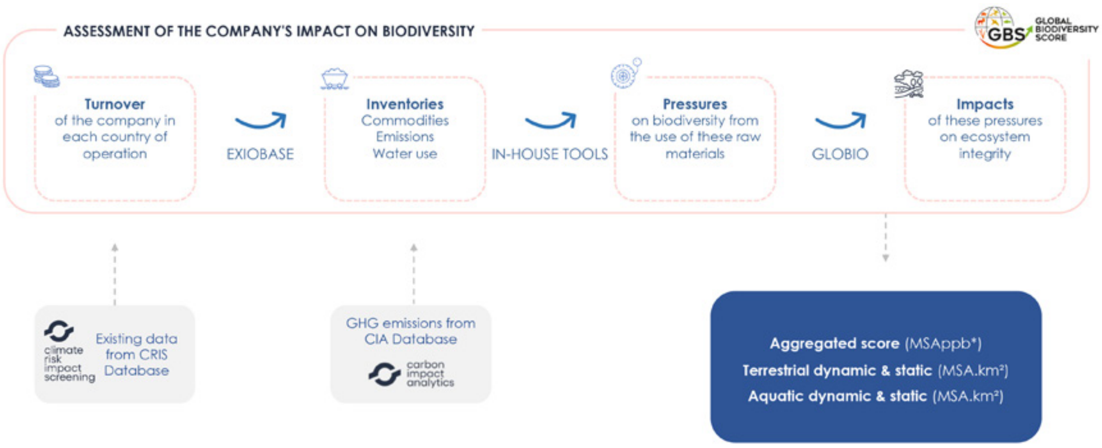
The BIA-GBSTM differentiates between static impacts (stock) and dynamic impacts (flow).

- Static impact: state of biodiversity at the start of the assessment
- Dynamic impact: assessment of the impact during the assessment period

It should be noted that since certain planetary limits have already been crossed, we would need to have a positive dynamic impact to be able to restore the static.

How BIA-GBS™ works

The BIA-GBS™ assesses the pressures on biodiversity and their impact on the state of ecosystems using the GLOBIO model:



Source: Carbon4 Finance, 30/12/2022.

The BIA-GBS™ methodology incorporates Carbon4 Finance's data and expertise to refine the analyses, in particular the Carbon Impact Analytics (CIA) model for the value chain analysis, and the Climate Risk Impact Screening (CRIS) model for the geographical and sectoral breakdown analysis.

Treatment of the risk of double counting in the BIA-GBS™ methodology

In order to spread impacts across the entire value chain and provide a means of avoiding double counting, BIA-GBS uses the Scope concept. Scope 1 covers direct operations. Upstream impacts are broken down into:

- Non-combustible energy production, which comes under Scope 2.
- Other purchases, which come under Scope 3 upstream.
- Finally, the impacts downstream of the value chain belong to Scope 3 downstream.

The Carbon4 Finance data used for GHG emissions covers Scope 3 upstream and downstream. Only Scope 3 upstream is covered for the other pressures.

Methodological limits of BIA as communicated by Carbon4 Finance

- On the basis of financial data, with the exception of climate change, granularity within a sector is limited.
- Marine biodiversity is not taken into account.
- Invasive species and soil degradation are not yet taken into account; overexploitation is only partially taken into account and is partly integrated with other pressures.
- Scope 3 downstream impacts are only taken into account for pressures linked to climate change.
- The alignment score needs to be supplemented by a forecast score for 2030 and 2050, but the lack of data on companies' biodiversity objectives and trajectories means that it is not possible to make these projections at this stage. In addition, another method could be envisaged, whereby all companies would be required to make a reduction. This method is known as the contraction method.
- The alignment score is a first proposed approach, pending quantified international targets (COP 15) as well as better coverage of companies in terms of biodiversity data.

It is conceivable that providers of extra-financial data may face certain methodological limits, which could be, by way of illustration, the following:

- Missing or incomplete disclosure of information by certain companies (e.g. on their ability to manage their exposure to certain ESG risks), used to develop the ESG rating model. This problem may be mitigated by using alternative data sources external to the company to feed its rating model;
- Problem linked to the quantity and quality of the ESG data to be processed (large and continuous flow of information to be integrated into the ESG rating model): this problem may be mitigated by the use of artificial intelligence technologies and numerous analysts who work to transform the raw data into relevant information;
- Problem linked to the identification of the information and factors relevant to ESG analysis for each sector (and sometimes each company): a service provider may use a quantitative approach validated by the expertise of each sector specialist and feedback from investors to determine the most relevant ESG factors for a given sector (or for a particular company where appropriate).

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Sources: Rothschild & Co Asset Management, MSCI ESG Research, Carbon4 Finance – December 2022.

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