Rothschild & Co
Asset Management

Report - Article 29 Energy and Climate Law

2023 Financial Year

Preamble

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

It also makes it possible to align with and supplement 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 Sustainable Finance Disclosure Regulation (SFDR) – with French law, as well as Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the European Taxonomy.

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

We are therefore providing our investors with a report setting out our approach to sustainability, our actions, commitments and ambitions in terms of integrating sustainability issues and environmental, social and governance quality criteria, and also the resources we have implemented in order 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, of methodologies and investment. Article 29 of the Energy and Climate Act incorporates the '*comply or explain*' principle, to which we may resort when we are unable to comply fully with the provisions of this article.

The report covers the Rothschild & Co Asset Management entity, as well as the funds with more than €500 million in assets under management at 29/12/2023, i.e. the following funds and their assets under management (in € million):

Names of funds	Assets under management (in millions of euros)
R-co Valor	4,216
RMM Trésorerie	2,922
R-co Conviction Credit Euro	2,641
R-co Target 2028 IG	2,107
RMM Court Terme	1,440
Dedicated bond fund	967
R-co Conviction Equity Value Euro	663
R-co Conviction Credit 12M Euro	545

Source: Rothschild & Co Asset Management, 29/12/2023.

It is published annually.

Through this report, we would like to (i) review our approach to sustainability, (ii) take stock of how we are addressing the challenges of climate change and biodiversity in 2023, and (iii) present our ambitions and improvement plans for the future, in line with the regulatory requirements relating to Article 29 of the Energy and Climate Act.

This is the third report we have published.

Contents

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

Some key figures

SUSTAINABILITY

100%
ESG integration

97%
of our funds categorised under Articles 8 or 9 of the SFDR

5
funds categorised under Article 9 of the SFDR

3
labels represented in the 4Change range

ENGAGEMENT

188
dialogues in 2023

162
Areas for improvement identified during the year

99%
attendance at general meetings in 2023

EMPLOYEES

41%
of women in the whole workforce

36%
women in investment bodies

35
ETPs contribute on taking into account sustainability issues

CLIMATE & BIODIVERSITY

100%
assets valued *via* carbon indicators

70%
assets valued on the basis of climate risks

65%
assets valued according to their biodiversity footprint

94
carbon intensity in tonnes of CO_2eq/M€ of scope 1 and 2 revenue of assets under management

2.4°C
implied temperature rise of our assets under management according to MSCI ESG Research

Objective

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

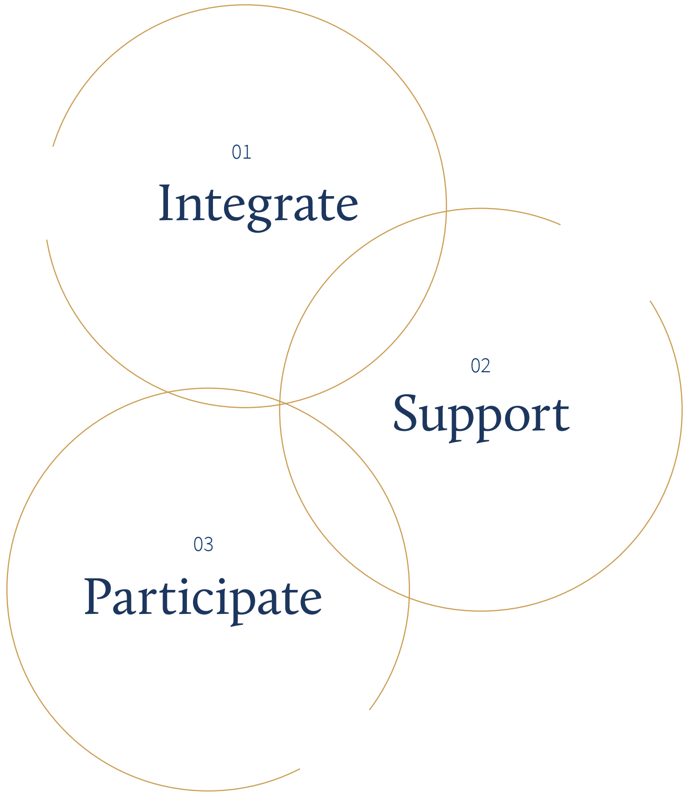
Our approach to sustainability

> “Our approach is consistent with our DNA as conviction-based asset managers: to create value for our clients by anticipating structural changes in the market.”

01

A sustainable approach to performance

Initiated for more than ten years, our approach to sustainability is consistent with our DNA as conviction-based asset managers: to create value for our clients by anticipating structural changes in the market. As conviction-based managers, we are guided in our investment decisions by three key principles



01

Integrating sustainability issues into financial analysis Sustainability criteria are not only non-financial, but must be integrated into the overall analysis of an asset. That's why we decided to combine financial and ESG analysis. Conviction-based management means going beyond a regulatory vision or a 'non-financial process' to form a more global opinion on the soundness and relevance of a business model, the credibility of a strategy, or the ability to contribute to the transformation towards a more sustainable world.

02

Supporting all economic actors in a dynamic transition

We believe that the transition to a more sustainable world must involve all sectors, including those that may seem less virtuous. Nevertheless, committing to the transition objective requires rigorous analysis coupled with a long-term vision. We are convinced that by working with companies from all industries, we will make more significant advances – advances which may be accompanied by increasing value on the stock market.

03

Participating in the development of a more inclusive economy

A sustainable transition can only be achieved through a process that is socially acceptable. We believe that a sustainable economic model is one that encourages more inclusive practices. Therefore, our approach aims to provide a coherent link between the environmental and social dimensions.

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We want to encourage the businesses in our portfolios to **change their practices and direct financial flows** towards companies which integrate these issues into their strategy.

So, at a time when investors are being asked to invest massively in sustainable areas, **we have chosen a transitional approach** that enables us to invest in all sectors and to combine support for the companies' sustainable transformation with the search for financial performance.

These three principles are applied across all management expertise, depending on the degree of sustainability of the investment strategies.

Over 10 years of integrating sustainability issues

2024

2023

- Signature of the SIF's 'Say on Climate' open letter
- AFG: participation in the 'Diversity & Gender' and 'Transition Plan' working groups.
- Participation in 2 new working groups run by the Paris Sustainable Finance Institute (methodology for non-financial analysis & fossil fuel trajectory)
- Member of the FAIR collective
- Member of the SIF (participation in the social working group and the Engagement Committee)

2022

- New biodiversity data providers (Carbon4 Finance & CDC)
- Involvement in the FFT working group on biodiversity
- Participation in the 2DI and ADEME working groups on environmental communications for financial products
- Member of 1% for the planet
- Publication of our NZAM objectives
- Publication of fossil fuel investment principles
- SIF 'Say on Climate' forum

2021

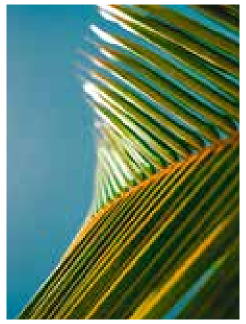
- 96% of assets in our open-ended funds classified under Articles 8 & 9 of the SFDR
- 86% of assets in our open-ended funds classified in AMF Categories 1 & 2
- 'Polar POD' & 'Café Joyeux' partnerships
- Signatory and member of 'Finance for Tomorrow' and the 'Investors for a Just Transition' coalition
- Membership of the Net Zero Asset Managers Initiative
- 10 labelled funds
- New data providers: EthiFinance / Carbon4 Finance
- Signatory to the United Nations Global Compact (UNGC) at the Group level

2020

- Group Responsible Investment Roadmap
- Group Thermal Coal Investment Principles

2019

- Development of the SRI-labelled 4Change range
- Membership of 'Climate Action 100+'



2018

- Launch of a 'Low Carbon' institutional mandate

2017

- Signing of the Carbon Disclosure Project at the Group level
- Change of ESG data provider (MSCI ESG Research)

2015

- Launch of work on carbon and social issues

2012

- Development of an ESG portfolio rating tool

2011

- Signatory to the UNPRI
- Adoption of ISS voting policy

An approach to sustainability across all our products and all our asset classes

Our common framework of exclusions

- International sanctions and non-cooperative countries for tax purposes
- Controversial weaponry
- United Nations Global Compact (UNGC)
- Thermal coal
- Tobacco

Integrating material ESG criteria into financial analysis

- Use of four ESG data providers: MSCI ESG Research (*best-in-class* approach), EthiFinance (ESG coverage optimisation), Carbon4 Finance and CDC Biodiversité (carbon and biodiversity data), Morningstar Direct (fund data)
- Use of public company data, broker studies, academic and scientific research, NGO reports and open access databases (SBTi, TPI or CDP).
- This information can be combined with the investment reports produced by our analysts.
- The integration of ESG criteria is adapted to suit each management assessment's analysis process and can be applied at sector level and also at the issuer, management company and/or fund level.

Sustainable requirements for portfolios

- ESG rating greater than or equal to BBB
- Minimum ESG ratings coverage
- ESG rating above that of the investment universe – for the majority of our directly managed open-ended products
- Minimum sustainable investments – for products under Articles 8 & 9 of the SFDR

Active engagement

- Targeted dialogue on our priority themes (climate transition, data transparency and other significant themes depending on the sector, etc.) and controversies
- A responsible voting policy across the entire equity portfolio
- Active participation in several industry working groups (Paris Sustainable Finance Institute, AFG, SIF, UNPRI, Climate Action 100+, etc.) on key sustainable issues (climate transition plan, biodiversity, fossil fuels, just transition, regulation, etc.).

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: green share, SBTi reduction targets, exposure to '*stranded assets*'.
- Governance: representation of women on the Board of Directors
- Sustainable Development Goals (SDGs): percentage in line with the SDGs

(1) Except for products classified under both Category 3 of AMF doctrine DOC-2020-03 and Article 6 of the SFDR.

Scope of the Article 29 report and main changes for the financial year 2023

Since 2021 and the introduction of sustainable finance regulations at the French and European levels, we have continued our efforts to integrate regulatory requirements and classifications into our product offering. **At the close of the 2023 financial year, 83% of total assets under management were classified under Articles 8 or 9 of the SFDR.** This is 12 points higher than at year-end 2022, a result of our ongoing efforts to integrate sustainability criteria into our open-ended and dedicated products, but also of the strong inflows in 2023 to our SFDR Article 8 open-ended bond funds.

At year-end 2023, 97% of assets in our open-ended funds were classified under Articles 8 or 9 of the SFDR, unchanged since the previous year. The list of our open-ended funds and their SFDR classification is available on our website and in the appendix to this report.

In 2022, we deepened some of our SRI strategies by strengthening the selection process and their sustainability objectives, and repositioned them under Article 9. Our 4Change range was expanded, bringing the total number of Article 9 funds to 5. In 2023, this figure was stable, and we chose to strengthen the securities selection process by improving our definition of sustainable investment, which now incorporates all the mandatory Principal Adverse Impacts in quantitative terms based on a proprietary model.

There have also been positive developments in the area of dedicated solutions, namely: management mandates, dedicated funds for up to 20 investors, and funds that are not marketed *via* our distribution networks. These vehicles are dedicated to two types of client: those from the Asset Management division (institutional investors, fund selectors, private banks and wealth management advisers); and the individual clients of Rothschild Martin Maurel, the Rothschild & Co Group's private bank, to whom we delegate financial management. We are focusing our sustainability awareness efforts on our Asset Management clients.

Naturally, when communicating with our clients, we take the opportunity to educate them and respond to their questions and their requirements in terms of sustainability. We have strengthened our dedicated ESG strategies and supported our clients in their desire to integrate more selection and exclusion criteria and to monitor sustainable performance indicators, in line with their commitments and values. **In this context, we encourage them to classify their products under Articles 8 or 9. In 2023, we will have moved ten dedicated vehicles from Article 6 to Article 8, i.e. almost a third of them. Half of these reclassifications concern dedicated products for asset management advisers.**

Detailed figures are available on page 22 of this report.

New for 2023: our achievements

2023

This positive dynamic is made possible by the ongoing efforts of all our teams. Our main achievements in 2023 are divided into three distinct pillars:

01

Tightening of investment constraints and the depth of our ESG analyses:

Our definition of sustainable investment now includes all the main mandatory negative impacts, using a proprietary quantitative model.

Broadening our common exclusion framework to include the tobacco sector, with an exclusion threshold of 5% of revenue (excluding retail and distribution activities).

For Article 9 products, sectoral exclusions have been added for the gambling and pornography sectors.

Preparing an analysis grid for companies' climate transition plans, assessing the credibility and robustness of said plans.

02

Establishment of a more robust comitology:

Two controversy committees, 'qualification' and 'major cases', qualify each controversy according to how severe it is and how material it is. They determine the appropriate degree of escalation and monitoring.

An engagement committee, which is part of an approach to steering our ESG dialogue with issuers that has intensified in recent years.

A service providers' committee, which is part of a more formal approach and responds to our intensified dialogue with external data providers.

03

Development of tools and integration of ESG data:

An internal tool for monitoring sustainability risks, which displays the results of risk indicators and shows which financial products are vulnerable to each risk family, while identifying the issuers affected by such risks. The tool can also be used to track changes in these indicators over time and to identify trends.

A tool to help automate the production of pre-contractual and periodic SFDR disclosures.

A range of products with varying degrees of ESG integration

We seek to implement a pragmatic approach that is tailored to all our investment strategies. This approach is applied at three levels of intensity in order to best take into account the specific features of each management assessment and offer our clients varying degrees of integration of sustainability issues:

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

Rothschild & Co Asset Management products apply exclusions and ESG objectives at the portfolio level (ESG rating of BBB or higher) and are supported by detailed ESG reporting[1].

Controversies are also integrated into the strategy and form a key part of the engagement process, in addition to the exercising of our voting rights in a responsible manner.

This common framework enables us to better protect our portfolios from sustainability risks and to promote best practice in integrating ESG criteria.

SRI management: our 4Change range

Since 2019, we have been managing investment strategies labelled as socially responsible. These are based on strengthened sustainable selection criteria, additional exclusions and specific engagement actions, and may address environmental issues (Net Zero transition, Green Bonds) or social ones (Inclusion).

Bespoke ESG solutions

As part of our offer of dedicated solutions, Rothschild & Co Asset Management supports its clients in strengthening their investment processes by integrating custom-selected factors: normative and sectoral exclusion criteria, ESG monitoring and/or thematic approach, in line with our clients' commitments and values.

Launched in 2019, the 4Change range is aligned with European standards[2], and includes funds with the SRI, Towards Sustainability or Finansol labels, covering all asset classes and geographical areas. **It showcases our expertise and our commitment to specific sustainability themes.**

(1) Except for products classified under both Category 3 of AMF doctrine DOC-2020-03 and Article 6 of the SFDR.
(2) a) Labelled funds have AFG-Eurosif transparency codes. b) Investments in sustainable bonds (green, social and sustainability bonds) comply with all the principles set out by the International Capital Market Association (ICMA), namely the Green Bond Principles (GBP), the Social Bond Principles (SBP) and the Sustainability Bond Guidelines (SBG).

Our 4Change range

	Equities/Multi-management		Diversified allocation	Fixed Income
Eurozone				
	R-co 4Change Equity Euro SFDR Article 8	R-co 4Change Net Zero Equity Euro SFDR Article 9		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

Source: Rothschild & Co Asset Management, 29/12/2023

Integration of ESG criteria into **direct management**

We use quantitative data from external suppliers, in particular MSCI ESG Research, whose ratings are 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 enables us to select issuers from all sectors.

In 2021, we strengthened our ESG data architecture with **two new data providers** :

- **Ethifinance**, who provide us with ESG ratings on request and help us to optimise the ESG coverage of our portfolios.
- **Carbon4 Finance**, who offer us an in-depth set of carbon data and temperature profiles.
  In 2022, we extended this partnership to include CDC Biodiversité's biodiversity footprint data.

We also use research from brokers (JPMorgan, Exane, Goldman Sachs, Barclays, Morgan Stanley, Oddo, etc.) and from academic, scientific and international institutions, NGO reports and open access databases (SBTi, TPI and CDP). Bloomberg is also a complementary analysis tool.

These factors can be combined with the investment analyses conducted by our in-house analysts on the issuers and/or sectors in the portfolio, when they present investment cases to the investment managers.
The analysts also use publicly available company data and communicate directly with company representatives.

We seek to identify the material 'out-of-scope' elements pertinent to the *ex-ante* analysis of the ESG profile and also the *ex-post* assessment of the sustainable trajectory of the issuer and/or the industry. These are taken into account based on key dependencies and impacts such as: controversies (typology, severity and recurrence), externalities (carbon/toxic emissions, water consumption, destruction of biodiversity, accidents, redundancies, strikes, precarious contracts, fraud, etc.), and contributions (taxonomic alignment, participation in the United Nations' Sustainable Development Goals (SDGs), temperature in line with the Paris Agreement, etc.).

Direct equity management

More specifically, as part of our **direct equity management** and for a limited scope of funds[1], we have **an internal rating system that assigns a composite rating to each issuer within the scope**. It consists of:

- **Their ESG *best-in-class*** rating from MSCI ESG Research, using a financial materiality approach.
- **A series of impact indicators** linked to the Sustainable Development Goals, provided by non-financial ratings agencies (such as the MSCI ESG Research indicator on issuers' net contribution to the 17 United Nations Sustainable Development Goals, or Carbon4 Finance, on carbon impact and biodiversity footprint), which we convert into a rating using an internal methodology.
- **Their rating on the credibility and robustness of their transition plan.** This rating, drawn up by our analysts, is based on a proprietary analysis grid that incorporates both financial and impact materiality. The predefined criteria are divided into six pillars: analysis of the governance of climate and just transition issues, transparency of GHG emissions reporting, public climate commitments, robustness of environmental objectives, measures and investments and results observed in terms of transition.

(1) Scope available on request.

It should be noted that sustainability issues are studied according to their relevance to the sector and/or the issuer, and with the aim of integrating double (financial and impact) materiality. That said, given our perspective as a transition manager, there may be an environmental bias.

Development of an analysis grid for company transition plans

As part of the process of formalising this proprietary approach, we have chosen to draw on existing recognised frameworks and to participate in industry efforts (AFG, IFD) aimed at defining best practice for analysing company transition plans. Our analysis is based on six pillars: governance of climate and just transition issues, transparency of GHG emissions reporting, public climate commitments, robustness of environmental objectives, measures and investments and results observed in terms of transition. It responds to three major challenges:

- Establish companies' transition potential by identifying the measures they have already implemented and assessing the credibility and relevance of their ambitions
- Fostering dialogue with companies and identifying areas for improvement
- Responding to growing demands (from regulations, clients, labels, etc.) to identify and invest in 'transition' assets

We are closely monitoring methodological developments and regulatory discussions relating to transition issues. Generally speaking, we are committed to continuous improvement and intend to develop our approach further over the next few years.

Direct management of bond instruments

The ESG analysis process as part of our **direct management of bond instruments** is broken down **through the prism of the double materiality at three distinct levels:**

Level 1

At the primary stage: a quantitative filter aimed at identifying areas of risk, opportunities and topics for dialogue, and also issuer eligibility under internal policies. This level of analysis incorporates criteria such as ESG performance, compliance with exclusion policies, sustainability risks, principal adverse impacts (PAIs) and controversies.
For issuers with a good rating from MSCI ESG Research (A or better) and no major controversies, only the eligibility and the rating on the date of issue are used to estimate the associated ESG risk.

Level 2

Portfolio issuer presenting a risk or requiring monitoring: qualitative analysis combining external data with an internal assessment of strengths, weaknesses, threats and opportunities according to a matrix of risk, impact, and materiality. In addition to materiality, the criteria taken into account in the analysis include a low ESG rating (between B and CCC) or a downgrading of the rating from *Average* (between A and BB) to *Laggard* (between B and CCC). Depending on management needs and the issuer's current situation, companies that do not meet these criteria may be analysed from this perspective in order to refine our understanding of the risk associated with them.

Level 3

Monitoring of controversies and major changes for all bond positions rated by MSCI ESG Research. The criteria taken into account include major new controversies identified by MSCI ESG Research with regard to non-compliance with the UNGC principles, and also those identified *via* the press, and which may constitute a material risk for the issuer, or whose exposure to the issuer is itself material. As soon as an identified subject becomes material, a dialogue is initiated with the issuer in question.

Accounting for sustainability factors is an ongoing process. Internal assessments are updated on an *ad hoc* basis whenever events with major implications for the material characteristics of the investment file may occur.

Through our internal work and the MSCI ESG Research ratings, we consider a broad spectrum of ESG criteria as part of our generalist approach.

Integration of ESG criteria within the **multi-management** approach

Within our multi-management business, we have also opted for an integrated approach to ESG criteria in our selection process for traditional funds, known as *'long-only'*, and also UCITS alternative management funds.

We have drawn up a unique *due diligence* questionnaire, with significant integration of ESG criteria. This integration provides **a 360-degree analysis that encompasses 3 axes**, namely ESG/SRI, investment and operations. It is **carried out at the management company and fund levels**.

We are particularly interested in:

- **The extent to which climate change risks and opportunities are taken into account** within the management company (existence of a CSR policy, systems for monitoring energy, water and paper consumption, existence of commitments to reduce carbon emissions, etc.), in the investment process and the company's ability to compile carbon data on its investments, for example.
- **Human resources management and the development of human capital:** through our questionnaire and analyses, we seek to address specific criteria, such as the existence of a formal employee satisfaction survey procedure, the training framework (% of employees, hours of training per employee per year, etc.) and the consideration and management of issues relating to the representation of women within the company. We also check that there are no social controversies or disputes between the company and its employees.
- **Governance:** we assess the quality and stability of the decision-making bodies based on a number of criteria, such as the degree of independence of the management committee, audit and control systems, remuneration mechanisms (existence of objectives linked to the management of sustainable development issues), the capital structure with regard to tax issues, the existence of disputes with a regulatory body, etc.
- **The engagement policies implemented by asset management companies,** including their voting and dialogue policies and also their membership of international initiatives that aim to promote good environmental practices: Carbon Disclosure Project (CDP), UNEP Finance Initiatives, Institutional Investors Group on Climate Change (IGCC), Montréal Carbon Pledge, etc.
- **The fund's responsible investment process:** through a qualitative analysis, the objective is (1) to assess whether there are adequate resources (human, IT, non-financial databases) for the responsible investment process implemented within the fund; (2) to identify the relevance of this process (filters, exclusions, ratings, etc.) in relation to its philosophy and to sustainable themes and also its added value in relation to comparable funds. The evaluation of this process is completed by way of an assessment of the transparency provided (portfolio inventory, fund covered by MSCI ESG Research) and also the fund's ESG rating in absolute terms and relative to its peers and/or its benchmark index.

Based on the information gathered using our proprietary questionnaire, during our discussions with the management company and the information available in MSCI ESG Research and Morningstar Direct, the analysts conduct an ESG assessment of the management company and the fund. Most of the information used comes from the management company itself, so we are able to conduct these analyses independently of the coverage provided by MSCI ESG Research. If MSCI ESG Research has not rated the fund, we have developed an internal tool to draw up our own ESG rating, in line with their methodology.

In addition to our internal analysis, we prepare a *'score card'* using a proprietary methodology inspired by the risk/opportunity approach and materiality issues selected by MSCI ESG Research for the financial sector. The purpose of this *score card* is to guide analysts in their ESG assessment of the management company and the fund.
It provides a homogeneous framework for analysis and offers a synthetic view *via* the selection of key criteria. This summary is based both on tangible, systematic and objective criteria, and also on more qualitative criteria based on the analysts' assessment. This work is graded from 1 (best grade) to 4.

The analysis criteria are as follows:

- **At the level of the management company:**
  - **Environmental pillar**: environmental policy at the management company level, exclusion policies relating to the thermal coal sector, carbon emissions from portfolios, etc.
  - **Social pillar**: human resources management, signatory to the UN PRI, exclusion policies relating to controversial weapons and fundamental principles, etc.
  - **Governance pillar**: independence of the *board*, remuneration policy, etc.
- **At the fund level:** Integration of ESG criteria into the management process, ESG rating of the fund, calculation of carbon intensity, labels, etc.

Data **providers**

7 **Providers:**
MSCI ESG Research, Ethifinance, Carbon4 Finance, CDC Biodiversité, Morningstar, Bloomberg and broker research.

Amount invested in non-financial research associated with external providers and database subscriptions

€740K (1)

01 Availability

02 Comparability

03 Reliability

The availability, comparability and reliability of ESG data disclosed by companies are major issues for investors and regulators. The work currently being conducted 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 hold regular exchanges with external data providers to test the robustness of their methodologies and the quality of the information they make available to us. In 2023, we interacted nearly 40 times with our main provider, with whom we have established a quarterly steering committee to ensure more structured monitoring and control.

We also want to ensure that our sustainable investment strategies and reporting are easy to understand, and are looking for tools that can offer new and different perspectives to our management, while also being compatible with those we already have. In 2023, we met with more than a dozen entities in the ESG data ecosystem.

We consider this dialogue to represent engagement insofar as we raise these entities' awareness of the growing and increasingly specific needs of investors and contribute to improving their offerings.
A section dedicated to engagement with external data providers is included in our annual Engagement and Voting Report.

To formalise our approach, and in view of the increased dialogue with external data providers, **we have set up a 'Provider Committee', coordinated by the Sustainable Investment and Risk Management teams and with the participation of the Compliance team**
The Committee meets every two years in order to:

- **Monitor partnerships** with the various data providers, in particular data quality and integration into our internal tools;
- **Maintain the mapping** of ESG data flows;
- **Monitor the competition** and align the process of prospecting for providers with new ideas and new needs, based on predefined selection criteria.

(1) Source: Rothschild & Co Asset Management, 29/12/2023.

Breakdown of our products by SFDR classification

SFDR Article	Number of products		Assets under management (€ million)		Assets under management (%)	
	29/12/2023	vs. 30/12/2022	29/12/2023	vs. 30/12/2022	29/12/2023	vs. 30/12/2022
1. Open funds	**57**	**+1**	**28,548**	**+49%**	**69%**	**+7**
Article 6	8	0	587	+30%	3%	0%
Article 8	44	+1	19,638	+51%	96%	+2
Article 9	5	0	324	-2%	2%	0
2. Dedicated solutions	**139**	**+3**	**9,372**	**+10%**	**31%**	**-7**
Rothschild & Co Asset Management	**67**	**0**	**6,092**	**+12%**	**65%**	**+1**
Article 6	25	-12	6,162	+88%	25%	-35
Article 8	42	+12	2,376	+10%	75%	+35
Rothschild Martin Maurel	**72**	**+3**	**3,280**	**+6%**	**35%**	**-1**
Article 6	64	0	3,086	+7%	94%	+1
Article 8	7	+2	191	-9%	6%	-1
Article 9	1	+1	4	N/A	0%	0
Total	**196**		**29,920**		**100%**	

Source: Rothschild & Co Asset Management, 29/12/2023.

Breakdown of our products by AMF category

AMF Category	Number of products	
	29/12/2023	vs. 30/12/2022
1	**11**	**0**
2	32	-1
3	105	-1
No category	48	+6
Total	**196**	**+4**

Source: Rothschild & Co Asset Management, 29/12/2023.

Note on methodology:

In the context of this Article 29 report, the scope includes financial products, open-ended and dedicated investment funds and management mandates for which we are the management company. We specify that this scope includes assets under management for which financial management is delegated, but excludes the financial delegations that we receive and our investment advisory activities. As a result, there is a part of our business, albeit a marginal one, that the total assets under management does not take into account.

For greater clarity, 'dedicated solutions' are broken down into two types of client: those from the Asset Management division (institutional investors, fund selectors, private banks and wealth management advisers); and retail clients of Rothschild Martin Maurel, Rothschild & Co Group's private bank, to whom we delegate the financial management of these vehicles. It should also be noted that the changes shown in the tables presenting the breakdown of assets under management also take account of inflows and the creation of new products that are inherent to our business.

Transparency, an essential part of our approach to sustainability

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

List of documents available on the website

- ESG Policy
- Engagement policy including voting policy
- Exclusion policy with regard to controversial weapons
- Exclusion policy with regard to fundamental principles
- Investment principles with regard to the thermal coal sector
- Exclusion policy with regard to the tobacco sector
- List of exclusions
- Sustainability risk policy for investments
- Adverse impact reporting policy
- Definition of sustainable investment
- List of open-ended funds and their SFDR category
- Transparency codes for labelled 4Change funds
- UN-PRI transparency report, available on the PRI website
- Report on engagement and the exercise of voting rights
- Report under Article 29 of the Energy and Climate Act
- Rothschild & Co Group CSR Policy and Report
- Rothschild & Co Asset Management remuneration policy

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

- Regulatory documentation: prospectus and DIC Priips
- Pre-contractual and periodic disclosures (SFDR), and SFDR Article 10 web disclosures, for SFDR Article 8 or 9 products
- Annual report of Rothschild & Co Asset Management funds
- Commercial documents, it being specified that for Category 2 funds, in accordance with AMF doctrine 2020-03, information about ESG criteria is limited to 10% of the commercial documentation; for Category 3 funds, this information is limited to the prospectus only.
- Financial reporting, including ESG reporting

Since the entry into force of the level 2 Regulatory Technical Standards (or 'RTS') of the SFDR on 1 January 2023, the pre-contractual disclosures for Article 8 or 9 products have been incorporated into fund prospectuses and management mandates. The annual reports for funds closing between December 2022 and September 2023, and management mandates, included their first periodic disclosure.

Any change in the SFDR category of a product means that it must be made compliant with the RTS and communicated to holders. For open-ended funds, this communication is made by any means; for dedicated products, it requires the prior agreement of our clients.

See our dedicated pages!

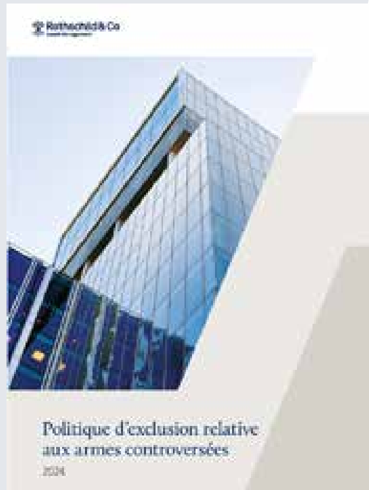
Specific communication initiatives

In 2023, Rothschild & Co Asset Management stepped up its communication efforts with the general public, in line with its sustainable investment themes and its news. In order to inform and educate people, and promote our sustainable initiatives, we took part in round table discussions, organised events and maintained our presence in the traditional media and on social networks.

10
Dedicated events

30
LinkedIn posts

9
Articles / Documents



Our sustainable investment initiatives

> 'We are convinced that taking sustainability issues into account constitutes an essential structural evolution of our business.'

Acting collectively

We have chosen to join a limited number of market initiatives directly related to our investment themes to be fully involved in developing and disseminating best practice. Our contributions to the initiatives listed below are detailed in our 2023 Engagement and Voting Report.

We take part in working groups that bring together financial entities with the aim of promoting sustainable finance that is credible, pragmatic and applicable to all investment managers:

AFG

- Member of the AFG Responsible Investment Committee
- Member of the Diversity and Inclusion in Asset Management Companies Working group
- Member of the Transition Plans, Just Transition and Biodiversity investment working group

Institut de la Finance Durable – Paris Europlace

- Member of the working group on impact finance since 2021
- Member of the standing committee on sustainable regulation
- Member of the working group on non-financial analysis methodologies and the Fossil Energy Trajectory

fair. (Financer Accompagner Impacter Rassembler)

- Member of FAIR, a collective committed to social finance and publisher of the Finansol label

ADEME – 2° investing initiative

- Member of the working group on optimising the contribution of financial products to the objectives of the Paris Agreement

EFRAG – European Financial Reporting Advisory Group

- Member of the 'Sector communities' working group and the advisory committee on the definition of ESRS standards for the capital markets sector

FIR – Forum pour l'Investissement Responsable

- Member of the 'Social Taxonomy' working group
- Member of the 'Finance & Disability' working group

PRI – Principles for Responsible Investment

- Member of the French-language UNPRI reference group
- Member of the committee on sustainable regulation

We are involved in the coalitions of investors who are taking part in efforts to address climate change and just transition issues:

Member of the initiative to improve governance on climate change

Founding member of Investor for a Just Transition, the world's first just transition coalition

Member of the Sustainable Investment Forum (SIF)'s 'Dialogue and Engagement' committee

Leader of the 'Food and Agriculture' working group and contributor to the 'Energy' working group

Member of a number of forums supporting implementation of the 'Say on Climate' initiative

Participation in the 5th round of written questions to CAC 40 companies

As an asset management company, we play an active role in tackling these climate and transition issues by ensuring that our asset management activities comply with demanding and recognised frameworks:

Signatory to the UNPRI since 2011

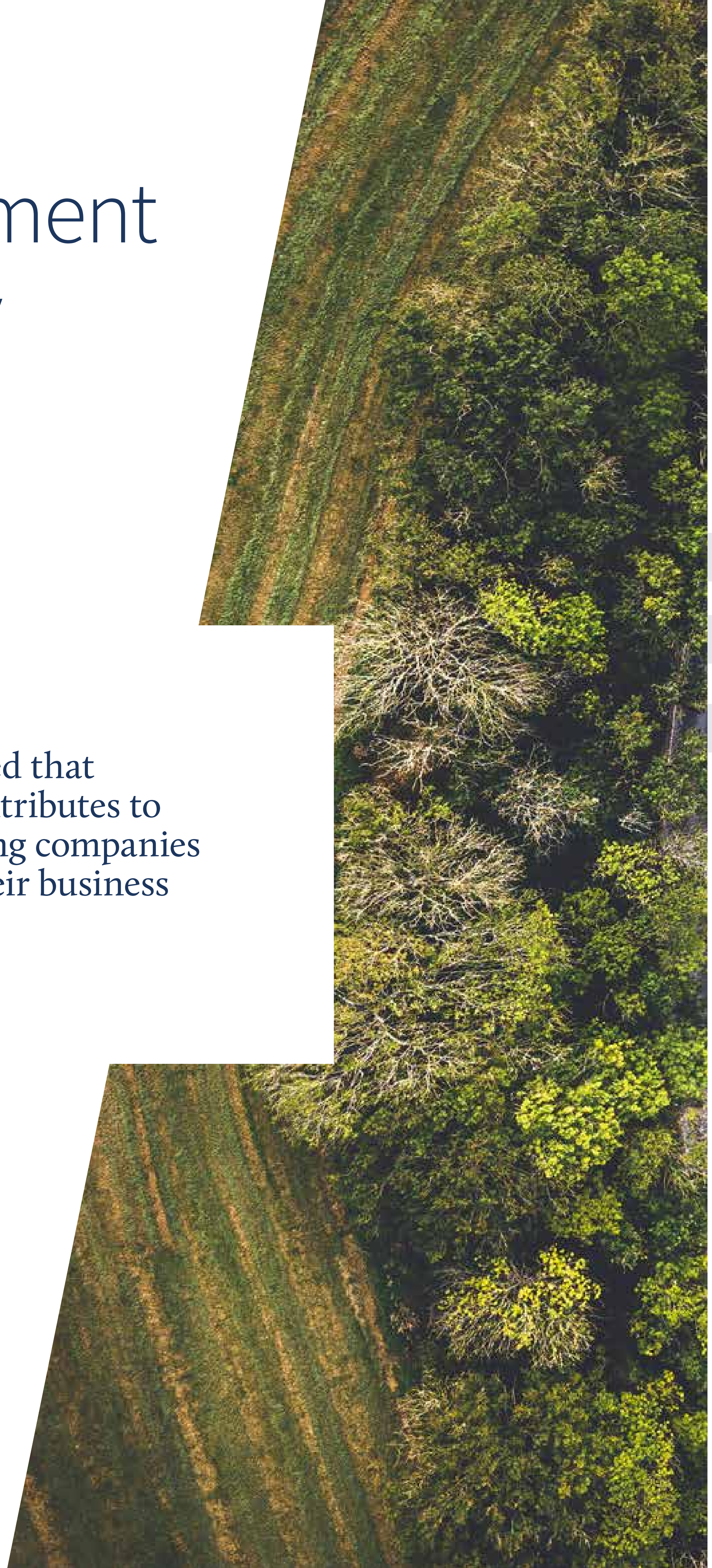
Use of Urgewald's Global Coal Exit List and Global Oil and Gas Exit List

Joining the Net Zero Asset Managers initiative so as to act in favour of the climate and achieve Net Zero

In line with the above initiatives and our ambitions in terms of sustainable investment, we are involved in a number of sponsorship activities:

We are sponsors of the Polar POD expedition, designed to study and observe the Southern Ocean, the little-known ocean that encircles Antarctica, and Café Joyeux, which aims to promote the integration of people with mental or cognitive disabilities through work in a mainstream environment. These partnerships are being developed in particular through 'sharing funds'. Since 2022, we have committed to donating at least 1% of revenue from our 4Change range to associations approved by 1% for the Planet, a non-profit organisation.

Our engagement strategy



"We are convinced that engagement contributes to change by helping companies to transform their business models."

02

Three objectives for action

At Rothschild & Co Asset Management, engagement is the cornerstone of our sustainability approach, which is designed to drive performance and is in line with our DNA as conviction-based asset managers. Our strategy is characterised by concrete actions throughout our value chain, aimed at meeting three objectives:

01 **Act for the climate and preserve the planet**

02 **Contribute to a more inclusive economy**

03 **Facilitate the orienting of financial flows towards sustainable investments**

01 Act

02 Contribute

03 Facilitate

We take action:

- **With issuers**, as part of our direct management activities, in the form of individual or collaborative dialogue. In order to support and monitor their 'ESG trajectories,' we interact regularly and constructively with the issuers in which we invest.

  We use our right of scrutiny whenever we deem it necessary in order to strengthen our analysis, assess their capacity to transform, mitigate the risk of controversy, or take concrete action in relation to our ESG investment themes (climate transition plans and Net Zero trajectories, taxonomic alignments, social inclusion, specific exclusions, sustainable performance indicators, Principal Adverse Impacts, etc.). We focus on formulating areas for improvement that we can monitor. Unsuccessful or inconclusive interactions can have a direct impact on the management of our positions in the portfolios.

- **With asset management companies**, as part of our open architecture management and fund selection processes, for which we have adopted an integrated approach to ESG criteria with a single *due diligence questionnaire*. The responses to these questions provide an excellent opportunity to encourage asset management companies to improve their practices.

- **Within the sustainable finance ecosystem** (clients, external data providers, professional associations, market initiatives, public authorities, NGOs, educational institutions, etc.). We actively take part in marketplace discussions by participating in public consultations, working groups and round tables, and by leading communication campaigns aimed at the general public.

- **With our associative partners**, a portion of the management fees associated with some of our funds is donated to our partners Polar POD and Café Joyeux.

- **With our employees.** Training our employees and raising their awareness of our sustainable investment themes are success factors for our business. We carry out actions designed to achieve this and involve them in our initiatives.

The aim of this section is to provide an overview of our approach and to present its most significant elements. For more information, our Engagement and Voting Policy and our Annual Engagement and Voting Report are available on our website.

Individual dialogue with issuers and asset management companies

Rothschild & Co Asset Management encourages and supports issuers in improving their practices and transforming their business models, and asset management companies in developing their sustainable investment approaches.

In our conviction-based management, individual dialogue allows us to ensure that our partners are willing to transform, to strengthen our analyses and to inform our allocation and sales decisions. To be fully effective, we believe that individual engagement must be:

01 **Conducted with a real understanding of the business models and challenges specific to each issuer/management company**

02 **Regular and constructive, with the aim of building a relationship of trust with the issuer/management company**

03 **Facilitating mutual enrichment, by bringing together high-level contacts, i.e. 'knowledgeable' analysts and managers on the investor side, and business experts and decision-makers on the issuer/management company side.**

04 **Contrarian and results-oriented, formulating areas for improvement and monitoring their implementation over time, while prioritising quality over quantity**

Direct management
Individual dialogue with issuers

Given our desire to support entities in all sectors and to avoid systematic divestment, we must be exceptionally rigorous in the way we go about engaging with issuers. In practice, this translates into a bilateral dialogue that can:

- **Intervene at various stages of the investment cycle** (with issuers in the portfolio and/or those being considered for inclusion), and at any time and for various reasons:

  - In response to a controversy, and in line with our desire to reduce the negative impact of our investments;
  - In response to the inclusion of a debatable resolution on the agenda of a general meeting;
  - Due to sustainability objectives that are insufficiently ambitious being published;
  - Due to insufficient sustainability performance, generally reflected in downgraded ESG ratings, etc.

- **Focus on priority themes**

  – In connection with the application of our regulatory exclusion frameworks (controversial weapons, international sanctions, etc.) and sectoral exclusion frameworks (thermal coal);

  – In line with the sustainable strategies of our 4Change products, which are associated with additional requirements (climate transition plans and Net Zero trajectories, taxonomic alignments, social inclusion, specific exclusions, sustainable performance indicators, principal adverse impacts, etc.);

  – In connection with sectors of activity with a high climate impact and their material challenges

- **Conducted via a variety of communication channels** (electronic forms or emails, in-person or remote meetings, questions asked at general meetings, or at events – whether dedicated to ESG issues or not)

The main aim of all these initiatives is to deepen our analyses and formulate areas for improvement for issuers. This individual dialogue is regular, constructive and monitored over time. It may be carried out jointly by the Sustainable Investment team, the analysts in the various areas of expertise and the portfolio managers.

In addition, the availability of our contacts, the quality of the discussions and the issuers' willingness to implement the suggested improvements are all considered in our assessments. These factors are in addition to the conclusions of our financial and ESG analyses, and can have a direct impact on the management of our positions within portfolios. This is particularly true when an individual dialogue is part of an escalation process.

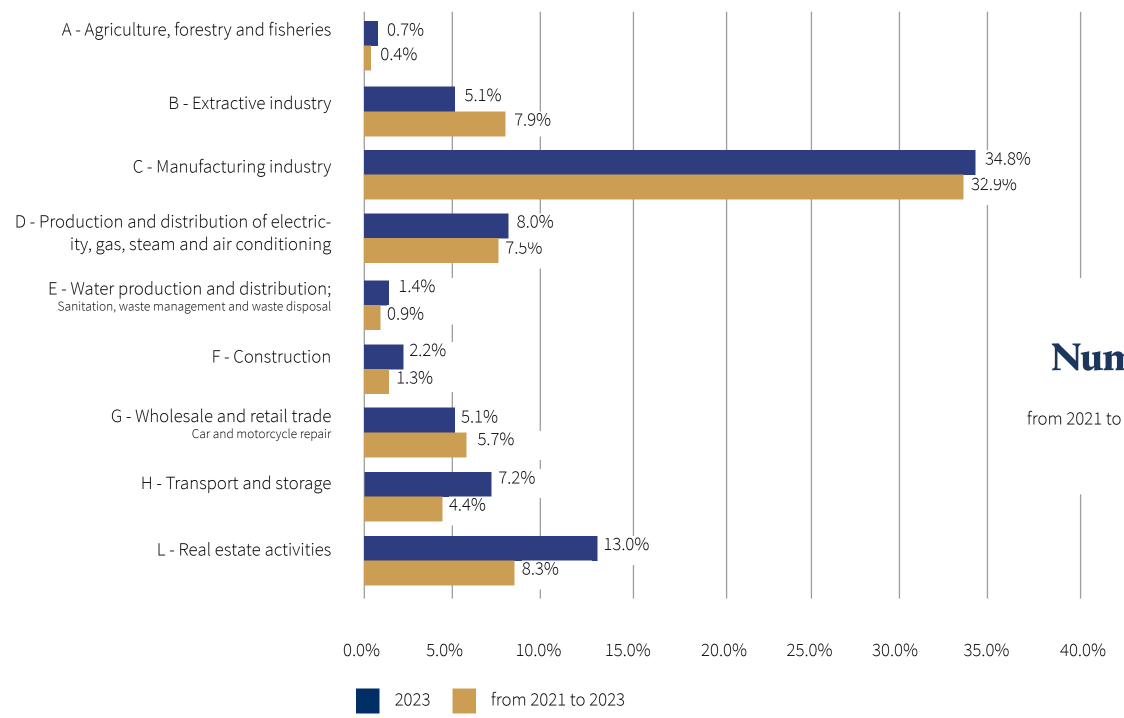
Direct management
Collaborative dialogue

At Rothschild & Co Asset Management, we believe that the changes society needs cannot be driven by individual initiatives alone. We believe that there is strength and intelligence in working together, and we play a proactive role in public consultations, round tables, working groups and engagement campaigns.

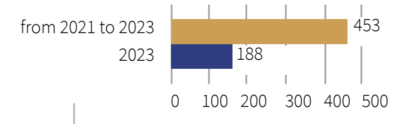
In particular, we are members of several investor coalitions that join forces in order to exert a positive influence on corporate practices, including **Climate Action 100+, Investors for a Just Transition and the French Sustainable Investment Forum (SIF)**.

Key figures for the 2021-2023 period

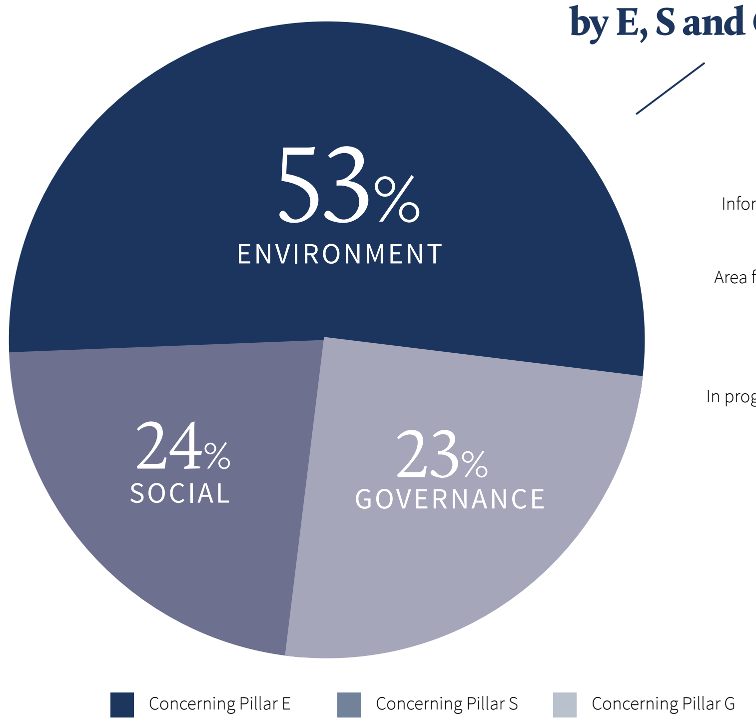
Breakdown of single issuers by NACE 'high climate impact' code

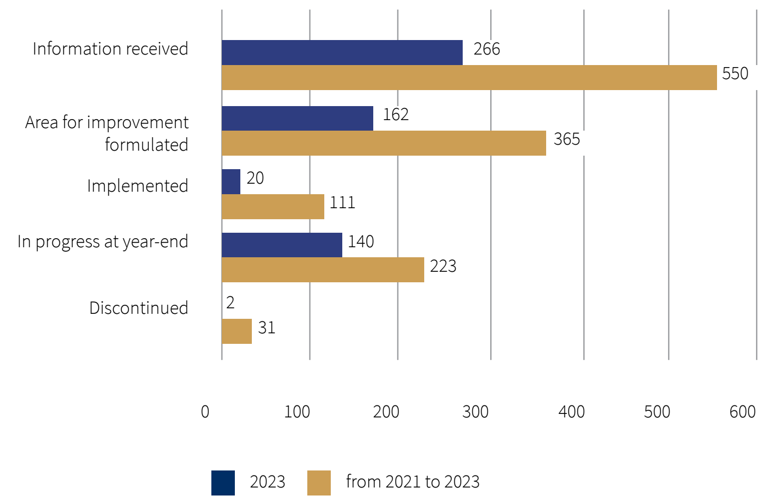


Number of dialogues



Breakdown of questions by E, S and G pillar





Source: Rothschild & Co Asset Management, 29/12/2023.

The **engagement committee**

Committee

As part of the process of steering our ESG dialogue with issuers, which has intensified in recent years, in 2023 we set up an **Engagement Committee**, coordinated by the Sustainable Investment team, with the participation of a panel of managers and analysts who are representative of our areas of expertise. The Committee meets every two months and its goal is to:

- **Conduct regular activity** *via* a series of key performance indicators. Among other things, over various periods and various scopes:
  - The number and type of interactions (individual or collaborative dialogue), the breakdown of them by motive (controversy, general meeting, etc.) and by contact persons met, according to their positions
  - The number of unique issuers met with and a geographical and sectoral breakdown of them
  - The number of questions asked and a breakdown of them by E, S and G pillar
  - The number of areas for improvement that have been implemented, or not, by issuers
- **Ensuring that all dialogue with issuers is properly archived in our internal tool**, which enables us not only to produce key performance indicators, but also to better share information and cooperate more effectively between our various areas of expertise.
- **Identify the issuers to focus on** and the themes to address
- **Inform participants**, where necessary, of changes in market requirements in terms of engagement.
- **Support the needs expressed** by the **Qualification Controversy Committee** and the **Major Cases Controversy Committee.**
- **Facilitate the exchange of best practice and the sharing of experience** among participants, in particular by presenting specific cases
- **Follow the latest news from Rothschild & Co Asset Management on collaborative engagement**

Multi-management

Dialogue with asset management companies

As part of our multi-management activities, we have opted for an integrated approach to ESG criteria in our selection process for so-called '*long-only*' funds and UCITS alternative investment funds. We have drawn up a single *due diligence* questionnaire, simultaneously allowing for:

- **A 360-degree analysis of asset management companies** (exclusion, stewardship and voting policies, consideration of climate change risks and opportunities, human resources and human capital management, governance, etc.) and funds (integration of ESG criteria into the management process, ESG rating of the portfolio, labels, carbon intensity, etc.).
- **To promote the adoption of best practice in sustainable investment**

The responses to our questionnaire stimulate and generate discussions that provide an excellent opportunity to encourage asset management companies to improve their practices, and in particular to:

- **Formalise their sustainable investment procedures and demonstrate transparency**
  The multi-management team encourages asset management companies to adopt policies (ESG, voting, stewardship, exclusions, etc.) and to communicate on their sustainable investment procedures (stewardship and voting reports, participation in market initiatives, etc.).
- **Obtain an ESG rating for their portfolios** The multi-management team invites asset management companies to regularly submit portfolio inventories to Lipper so that MSCI ESG Research can establish an ESG rating. These ESG ratings then allow analysts to update their analysis and be able to have an overall ESG rating at fund of fund level
- **Give credibility to funds' sustainable approaches by obtaining demanding labels and complying with French and European regulatory frameworks**

Divestment and escalation procedure

Divestment decisions are based both on the application of certain exclusions and on the management of our sustainability risks and negative impacts. At Rothschild & Co Asset Management, we believe that divestment should be seen as a 'last resort'.

In effect:

- Renouncing our shareholder status means **losing the voting rights** through which we can express our views and tell companies where they need to improve.
- Renouncing our shareholder or bondholder status generally **limits opportunities for constructive dialogue with companies**.
- Selling securities, which, moreover, are traded on the secondary market, **limits our potential impact on the real economy**, unless we participate in collective actions and use a 'mass effect' that can make a bigger difference.

We believe that engagement cannot justify the *status quo*, whether in the management of our investment portfolios, or when it comes to changes that are needed in the real economy and society. That said, we believe that an escalation procedure, and in particular a sectoral divestment procedure, must be pragmatic and 'case by case', in order to support entities in all sectors in their transformation while managing risk-return in the interests of our clients.

For example:

- **To address controversies** identified by our Compliance or analyst teams, we have set up two controversy committees, with the participation of the Risk Management, Compliance and Sustainable Investment teams and the Managing Partners. The parties involved are the management teams responsible for the issuer that is the subject of the controversy, and the analysts for the given sector, depending on the case. The two committees differ in the way they categorise each controversy, depending on how severe and material it is.

  – When a controversy arises, the **Controversy Qualification Committee**, coordinated by the Sustainable Investment team, defines how severe and material each controversy on the agenda is, determines what form of escalation is appropriate and follows up on it. The Committee votes for the most appropriate categorisation for each controversy, based, in particular, on how material it is in a financial, ESG, legal or reputational sense. If the controversy is not deemed material, or is resolved, then no further action is required on the part of the issuer. On the other hand, if the controversy is deemed to be material, the committee may ask that further details be provided by the analysts, and then, depending on how serious the controversy is, request an engagement with the issuer or a referral to the Major Cases Controversy Committee.

  – In the event of a major event or serious controversy, the **Major Case Controversy Committee**, coordinated by the Compliance department, meets on a discretionary basis. Functioning as a collegiate body, the Committee's voting members decide unanimously, on a case-by-case basis, which decision is most appropriate: whether to place the security under surveillance, prohibit any new investment or, in the most egregious cases, divest from the issuer. In the first two cases, they may determine the time given to respond in detail to the allegations (generally 3 to 6 months), as well as the nature of the corrective action to be taken by the issuer and the associated deadlines.

- **In terms of fossil fuels,** we implemented thermal coal investment principles in 2020 and formalised fossil fuel investment guidelines in 2022. Details of our exposure, engagement and divestment actions for 2022 are available in the section of the report on fossil fuels.

Voting policy

Since 2011, Rothschild & Co Asset Management has implemented an active voting policy that is consistent with sustainable investment principles.

To this end, we have entrusted Institutional Shareholder Services (www.issgovernance.com), a specialist consultancy, with the task of analysing shareholder resolutions and have adopted a 'Socially Responsible Investment' voting policy, which enables us to assess companies on all the ESG pillars. This policy is available on our website and is updated regularly.

ISS makes reasoned voting recommendations that respect the principles of sustainable investment, while Rothschild & Co Asset Management remains the ultimate decision-maker with regard to the exercise of voting rights. Qualitative, case-by-case analyses of specific resolutions sometimes lead us to vote differently from the recommendations made by our service provider ISS.

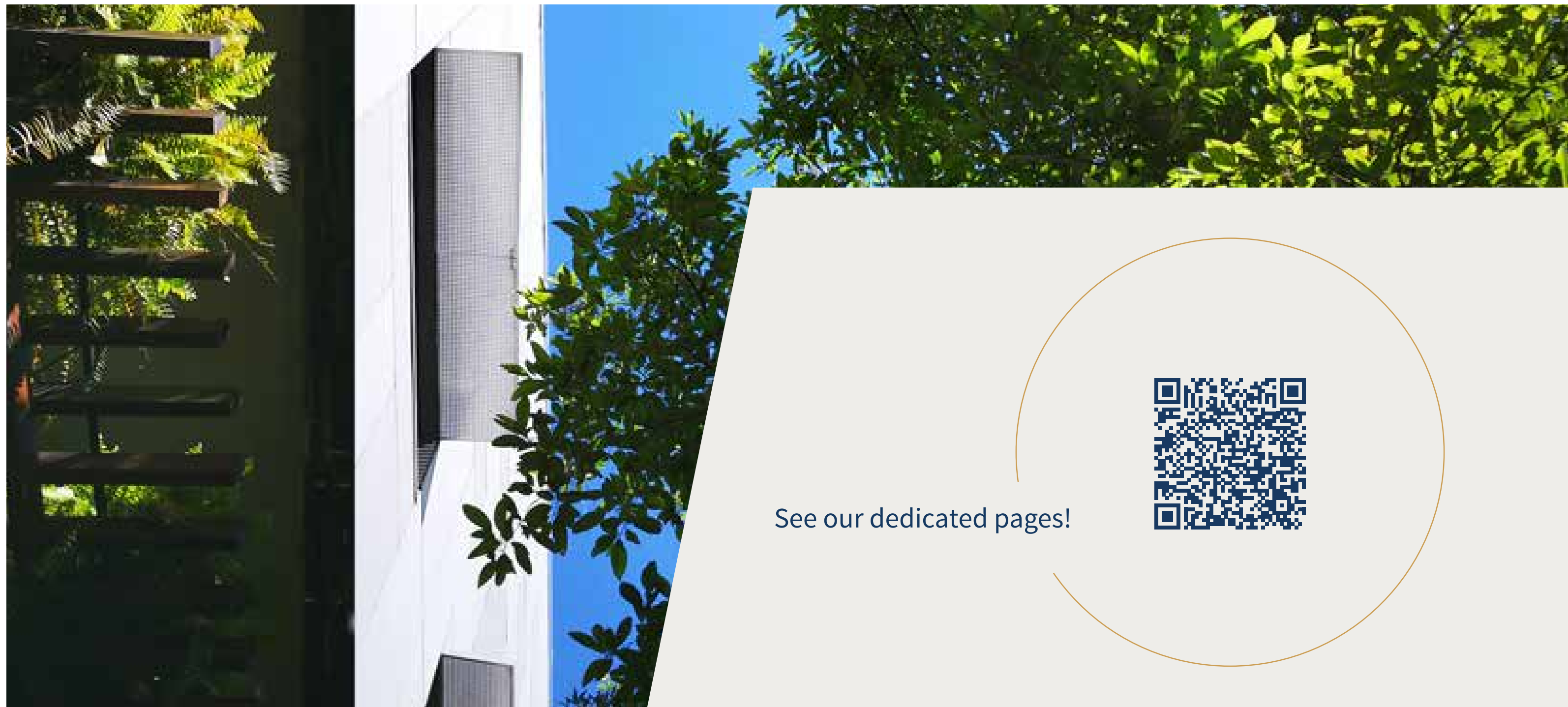
Our voting policy covers the entire scope of our equity investments, regardless of geographical region or company market capitalisation. Consequently, the scope of voting rights covers the European and international equities held in our funds. We reserve the right to exercise our voting rights on an exceptional basis at Bond and SICAV general meetings.

Key figures 2023

	Number	%
Total General Meetings	**559**	**100**
Voted at	555	99.3%
Not voted at	4	0.7%
Total resolutions passed	**8,205**	**100**
Of which votes 'for'	6,680	81.4%
Of which votes 'against'	1,511	18.4%
Of which 'abstentions'	14	0.2%
GMs with at least one 'against' vote	**362**	**65.2%**

Source: Rothschild & Co Asset Management, 29/12/2023.

More details on our voting process and its scope are available in the Engagement and Voting Policy report published on our website.



See our dedicated pages!

Our internal resources

> "In addition to our Sustainable Investment team, all our employees are committed to implementing our sustainable strategy."

03

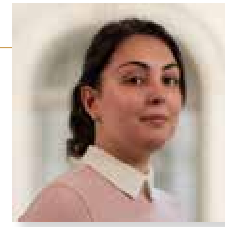
Our teams

Sustainable Investment Team

Rothschild & Co Asset Management has a cross-functional Sustainable Investment team of 5 people, reporting to Ludivine de Quincerot, a member of the Executive Committee:

Ludivine de Quincerot
Head of the Sustainable Investment team, Diversified fund manager

2 / ESG specialists



Andrea Sekularac & Alice Lagny

participate in research and discussions on ESG methodologies and strategies, contribute to business development and monitor regulatory developments and our competition

1 / ESG analyst and head of engagement

Edward Luu

coordinates our stewardship strategy and actions and contributes to research efforts in certain sectors

1 / financial engineer and data scientist

Thomas Vincent

contributes to the development of quantitative tools, monitors service providers and helps coordinate our voting policy

The Sustainable Investment team plays an active role in steering and harmonising ESG processes across all asset management areas, coordinating research efforts and engagement with the investment teams, and liaising with external service providers.

It also participates in discussions with fund managers and sales teams on developing the product range and establishing investment strategies, as well as working with our operational teams to ensure compliance with regulations and market labels. Finally, it is involved in business development, particularly for our SRI range.

Management teams

Research on ESG and financial issues and engagement with issuers are carried out by the analyst teams within each management area, in coordination and collaboration with the Sustainable Investment team:

4 European equity analysts

5 International equity analysts

5 bond analysts, including **1 ESG analyst**

5 multi-management analysts

The selection of securities in our portfolios is based on a financial analysis process that incorporates ESG criteria. Analysts are also involved in analysing controversies and engagement procedures relating to their sectors, in terms of both dialogue and voting. Managers are responsible for ensuring that the sustainable investment principles established by the company for their funds are integrated properly. Together with the analysts, they focus on the sustainable approach common to all generalist investment vehicles and on their labelled strategies, which have targeted sustainable themes and strengthened selection criteria.

Operational teams

Risk Management and Compliance teams

involved in developing solutions to monitor and verify our engagements. As such, the Risk Management team is responsible for integrating ESG data into applications.

Legal team

involved in the drafting and production of various contractual documents incorporating sustainability commitments.

Business Development teams

actively contribute to the development of commercial materials, monitoring tools, sales efforts and the promotion of ESG criteria.

Product Management team

involved in managing the product range, creating new products, updating the product database and implementing responsible investment projects.

Each team makes an active contribution to our approach to sustainability. Instead of being entrusting to an independent body, sustainability issues are addressed by all the internal resources and competences.

In 2023, **35 full-time equivalents** ('FTEs') were dedicated to incorporating environmental, social and governance criteria into Rothschild & Co Asset Management's investment strategy, i.e. **21% of the management company's total FTEs**. This indicator is calculated based on the proportion of working time represented by the ESG out of the total working time of each employee.

At Rothschild & Co Asset Management, we seek to get all our teams involved in implementing our sustainable approach, in particular *via* certification training and numerous in-house workshops.

01 Providing financial incentives to our employees

A remuneration policy that incorporates ESG objectives

Since 2021, Rothschild & Co Asset Management has reviewed its remuneration policy in accordance with the requirements of the SFDR. Compliance with ESG commitments is part of the managers' objectives and contributes to their performance analysis, without providing any quantification. For the financial year 2023, compliance with ESG policies and commitments and contribution to Rothschild & Co Asset Management's ESG business development are part of the criteria for measuring annual performance for all employees. The teams most directly impacted by ESG issues (fund managers, analysts, sales, compliance and risk teams) define a complementary ESG objective that is relevant to and consistent with their business line.

02 Training our employees on sustainable finance concepts

Discussion forums

The Sustainable Investment team organises monthly or quarterly discussion forums with our sales and management teams (equities, fixed income, multi-management, etc.). Identification of needs specific to a management expertise, new ideas (quality of ESG reporting and business presentations, etc.), requests for clarification (ESG analysis methodology, ESG indicators, regulations), feedback, etc. These forums are valuable and allow us to move forward together.

Committees to steer our actions

The management of Rothschild & Co Asset Management, the Sustainable Investment team, and the Marketing & Communication, Risk Management 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 of sustainable investments, monitoring of Energy and Climate Law Article 29 commitments, etc.).

ESG training courses offered and delivered in-house

Like our clients, our sales and management teams have participated in nearly 50 training sessions organised by the Sustainable Investment team. In a noteworthy development in 2022, on 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 to help them understand the scientific fundamentals behind the notion of sustainable transition. Finally, all Rothschild & Co Asset Management employees took part in a workshop inspired by Climate Fresk, a French non-profit association founded in 2018 under France's 1901 Law to raise awareness of climate change.

ESG training courses leading to certification

Rothschild & Co Asset Management encourages its employees to take training courses, in particular certification courses, in the field of sustainable finance. As of year-end 2023, 18 employees had received funding and successfully obtained AMF Sustainable Finance Certification, two had obtained an ESG Analyst Certificate (CESGA), issued under the authority of the EFFAS (European Federation of Financial Analysts Societies) and offered by the SFAF (Société Française des Analystes Financiers), and two had obtained a Certificate in ESG Investing from the CFA Institute.

03

Promoting cross-functional collaboration and internal information sharing

An 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 sustainable finance team.

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 will centralise all information relating to the financial and ESG analysis of issuers (*sell-side* research, investment dossiers produced by our analysts, ESG ratings and data, engagement actions), make it easier for this information to be shared, and simplify end-of-line reporting.

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, **our ESG budget represents €1.156 million, or 2% of our total budget** for financial year 2023. It should be noted that the ESG budget is up year-on-year, partly due to investments in our ESG database management and automation tools.

The ESG budget is used to finance ESG research and data (approximately **€740,000**), labels, involvement in market initiatives, ESG certification training for employees and IT solutions dedicated to sustainable processes. It does not include employee salaries.

Commitment to diversity and inclusion

Gender equality

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 Rixain Act aims to accelerate economic and professional equality. Article 8a requires portfolio asset management companies to state their objective of achieving balanced representation of women and men among the teams, bodies and managers responsible for making investment decisions.

By 2021, we had set ourselves a target of 30% female representation in the above teams. This objective had been achieved, with women representing 36% of investment bodies by the end of 2022. **At the end of 2023, this percentage will remain stable at 36%. Our aim is to reach 40% by 2026 and then gradually reach a point where we have achieved balanced representation.**

In August 2022, we signed an agreement on gender equality in the workplace, setting out measures on effective pay, reconciling work and family life, classification and recruitment.

These measures include:

- **We seek to promote the representation of women in the finance professions through** events with young women (open days or school forums) with female ambassadors from our organisation.
- **We favour inclusive recruitment practices** by using terminology in job advertisements and job descriptions that is gender-neutral, non-discriminatory and does not convey stereotypes, and by seeking a balance of profiles in applications *via* our objective of presenting candidates of both sexes at the start of the process and at least one female candidate during the final selection process. In addition, we stipulate in every contract with the recruitment agencies and temporary employment agencies we employ that, wherever possible, they must submit equal numbers of applications from women and men.
- Internally, our approach is based on training and awareness-raising initiatives for top management and our business lines, and also on measures dedicated to women within the organisation:
  - **For our governance bodies**, we make sure that the presentation we give to line and career managers includes details of the various levels of classification, so that they are aware of the importance of properly determining the classification levels of their employees. More specifically, in terms of remuneration, the legal framework on equal pay is included in the remuneration committee's materials. We aim to ensure that 100% of line and career managers comply with the principle of equal pay before awarding individual rises and variable remuneration.
  - **With regard to our business lines**, we give priority to raising awareness in those business lines in which women or men are under-represented, in particular by welcoming interns or apprentices and distributing a leaflet on combatting stereotypes.
  - More specifically, with regard to **women in the workforce**, we offer coaching workshops and a sponsorship programme with the support of a senior member of staff to help interested female employees manage their career paths and access more senior positions within the company. At the same time, measures are being implemented to help reconcile work and family life (nursery partnerships, conferences on parenthood, facilitating part-time work, training on returning from parental leave, etc.). Finally, our Group is implementing the 'Shine' programme, a key element of our balance and inclusion strategy. This dedicated programme for women (at the Assistant Director level and above) consists of a two-day workshop designed to maximise each woman's potential and personal impact.
- To measure the results of our actions - and to adjust them where necessary - we monitor the gender breakdown of classifications, with the aim of ensuring that women and men progress equally and at all levels of the company.

Women in the workforce as a whole:

41%

down 7 points over the year

Women in investment bodies:

36%

Source: Rothschild & Co Asset Management, 29/12/2023.

Inclusion & Handicap

We also seek to be a committed player and to act in line with the key principles of our sustainable approach, the third pillar of which is to participate in the development of a more inclusive economy.

As an asset manager, our first lever of action is our investments. As part of our 4Change range, we have launched the **R-co 4Change Inclusion & Handicap Equity fund, an SFDR Article 9 fund with a double SRI and Finansol label**, whose asset selection focuses on integrating these societal challenges into companies' practical strategies and through the goods they produce and the services they provide. The fund **pays part of its management fees to the Emeraude Solidaire endowment fund,** a not-for-profit organisation and sole shareholder of Groupe Café Joyeux, whose purpose is to promote the integration of people with mental or cognitive disabilities through work in an ordinary environment. **This partnership is also being established at the asset management company level, through the introduction of coffee capsule orders.**

As a company, we also want to **enhance inclusion and quality of life at work.** That is why we have also taken measures to promote the **professional integration of workers with disabilities, focusing on four areas**:

- Communicating disability issues to all employees (80% of disabilities are invisible)
- Raising employees' awareness of the advantages of registering as workers with disabilities
- Helping people to stay in work by adapting workstations
- Recruiting interns, apprentices, and employees with disabilities

Measures in 2023 include:

- Appointment of a disability adviser
- Participation in three recruitment forums aimed at young people with disabilities in partnership with **the 100% Handinamique** association.
- Encouraging the use of adapted enterprises and vocational rehabilitation centres to promote the professional integration of workers with disabilities.
- Organisation of a conference on the theme: 'A new look at disability in the workplace', aimed at all employees in France, to mark European Week for the Employment of People with Disabilities.
- Creation of a dedicated disability section on our intranet, available to all employees, including information about how to register as an employee with a disability.

Governance of our sustainability strategy

“The integration of sustainability issues is a strategic focus for Rothschild & Co Asset Management's governance bodies.”

04

A supervised sustainability strategy

At the asset management company level, Rothschild & Co Asset Management's three governance bodies – the Executive Committee, the Management Committee and the Supervisory Committee – oversee the ESG strategy. The integration of sustainability issues is a strategic focus of our development.

Several committees have been set up to decide on and implement our responsible investment choices:

- **An ESG Taskforce** regularly organised by the Sustainable Investment team with the Managing Partners and the heads of the operational and business development departments.
- **A fortnightly Operations and Sustainable Regulation Committee** coordinated by the Sustainable Investment team, with the participation of the Managing Partner in charge of Management, the Head of Compliance, and also the Risk Management, Legal and Product Management teams.

Sustainability issues are also addressed by our corporate governance bodies:

- **On the Management Committee** of Rothschild & Co Asset Management, through the presence of Ludivine de Quincerot, Head of the Sustainable Investment team

- **On the Executive Committee** of Rothschild & Co Asset Management, through the presence of Ludivine de Quincerot

- **On the Wealth and Asset Management (WAM) Committee** *via* regular updates and decision-making on Responsible Investment issues that concern the WAM division, through the presence of Pierre Baudard, Managing Partner & Chief Executive Officer.

- **On the Responsible Investment Committee** of the Rothschild & Co Group, chaired by François Pérol (Co-Chairman of the Group Executive Committee), through the participation of Pierre Baudard and Ludivine de Quincerot.

A Responsible Investment coordination team at the WAM and Group level is charged with steering cross-functional projects relating to responsible investment. The team supports the entities as they integrate the Group's sustainability ambitions and develop their understanding of responsible investment issues.

Most of the members of these governance bodies have attended the in-house workshops and training courses described in section 3 of this report. In addition, some have decided to obtain additional certification, such as AMF certification (27% of Managing Directors), or to focus on specific social issues *via* training courses on recruitment and inclusion.

Mandatory training courses are currently being introduced.

The taking into account of ESG criteria in our governance bodies is also reflected in the integration of good practice in these bodies *via* the promotion of women and independent representatives.

The European Taxonomy as a springboard to a sustainable economy

“The taxonomy will allowto ensure consistency and objectively assess an activity's contribution to the transition.”

05

The European reference framework for sustainable activities

In the wake of COP21, the European Commission adopted an action plan in 2018 to make the sustainable transition a specific part of economic policy. Among its initiatives is the creation of a reference framework for determining the 'sustainable' nature of an economic activity: the taxonomy.

The taxonomy can be compared to **a two-volume encyclopedia on sustainable economics**:

- **Environmental taxonomy (green)**
- **Social taxonomy (pink)**

This is a non-exhaustive and constantly evolving list of standardised criteria for determining the contribution of an economic activity to defined sustainability objectives, thus avoiding differences in assessment.

As regards **the environmental taxonomy**, the **six defined objectives towards which an activity must contribute in order to qualify as green** are as follows:

01 **Mitigating climate change**

02 **Adaptation to climate change**

03 **Sustainable use and protection of aquatic and maritime resources**

04 **Transition to a circular economy**

05 **Pollution prevention and control**

06 **Protecting and restoring biodiversity and ecosystems**

Among sustainable activities, i.e. those that make a substantial contribution to one of the six environmental objectives, certain activities may also be categorised as follows:

- **Enabling activities**
  those that enable other activities to contribute towards achieving one of the six objectives.
- **Transitional activities**
  for which there is no economically or technologically viable low-carbon alternative, but which can be considered to be making a substantial contribution towards climate change mitigation. As of 1 January 2023, these activities also include the production of nuclear energy or fossil gas.

It is still being implemented gradually. Of the six objectives listed, the first two came into force on 1 January 2022, while the last four were introduced very recently, on 1 January 2024.
Regarding the scope of application, the obligation for non-financial companies to communicate their level of eligibility and alignment came into force in 2023, while financial companies have only been subject to this obligation since 2024.
With regard to the social taxonomy, some initial suggestions were communicated in 2022 but have not been acted upon at this stage.

Taxonomy eligibility indicates the proportion of a company's revenue (income), capital expenditure (Capex) or operating expenditure (Opex) that is derived from eligible activities, while taxonomic alignment corresponds to the proportion of income, Capex or Opex that specifically meets the objective in question without significantly harm the other objectives.

Data relating to the alignment of capital expenditure (Capex) provides a forward-looking vision of companies' directions and trajectories, while data relating to revenue (income) provides a status report at a given moment.

As part of our work on environmental taxonomy, we rely exclusively on **taxonomy data reported by issuers and collected by MSCI ESG Research.**

Note on methodology:

The scope of assets covered by taxonomic eligibility and alignment for the financial year 2023 is that of the funds and mandates covered by this report. The total assets to which the aggregated percentages refer have risen from €17.9 billion to **€29.9 billion at 29/12/2023**. The results for the 2022 financial year are taken from the LEC Article 29 report published for that year.

The results 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 an alignment and eligibility level of 0% – a conservative approach that could lead to an underestimation of the taxonomic percentages presented.

For 2022, we considered the ICMA-compliant '*Green Bonds*' as 100% aligned with the Taxonomy. To be prudent, we have not retained this assumption for 2023, as the taxonomic alignment relates to the issuer of the bond and not the underlying project. Comparisons with last year's results are limited by this change in methodology.

For the financial year 2022, we also presented the 'green share' of our assets – a metric provided by Carbon4 Finance. We have chosen to abandon this metric now that issuers are publishing their own taxonomy data.

Assets under management and changes over the course of the year

Taking the data published by issuers into account, at 29/12/2023, the alignment of income, Capex and Opex of our assets under management is between 3% and 5%.

In terms of year-on-year comparisons, levels have fallen since last year, with the exception of the Capex alignment:

- The eligibility of income fell from **12.4%** to **9.5%**, and that of Capex from **16%** to **13.4%**.

- The alignment of income fell from **4.2%** to **3.1%**, while that of Capex rose from **4.8%** to **5.2%**.

This is due to **two opposing effects:**

- **Methodological change**: removal of the assumption of 100% alignment of '*Green bonds*', which reduces the taxonomic alignment of bond funds.
- **Slight increase in data coverage**: slightly more issuers eligible for taxonomic reporting are publishing data, directly increasing the levels expressed as a % of our total assets under management. This increase is negligible, as the obligation to publish data does not come into force for financial issuers until 2024. This lack of data on financial entities represents a challenge for Rothschild & Co Asset Management, as this sector accounts for a significant proportion of our bond investments, which are set to grow very strongly in 2023.

Taxonomy levels of assets under management by objective and type of activity

Scope	Eligibility	of which Mitigation	of which Adaptation	Alignment	of which Mitigation	of which Adaptation	Enabling activities	Transitional activities	of which Gas	of which Nuclear
Income	**9.5%**	0.9%	0.0%	**3.1%**	2.4%	0.1%	1.1%	0.1%	0.0%	0.2%
Capex	**13.4%**	1.1%	0.0%	**5.2%**	3.9%	0.2%	1.6%	0.2%	0.0%	0.2%
Opex	**9.4%**	0.9%	0.0%	**3.8%**	2.7%	0.1%	1.7%	0.1%	0.0%	0.3%

Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.

Changes in taxonomy levels in the financial year 2023

	Eligibility			Alignment		
Scope	2022	2023	Variation	2022	2023	Variation
Income	12.4%	**9.5%**	-2.9%	**4.2%**	3.1%	-1.1%
Capex	16.0%	**13.4%**	-2.6%	**4.8%**	5.2%	0.4%
Opex	11.4%	**9.4%**	-2.0%	**4.5%**	3.8%	-0.7%

Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.

Focus on some of our funds and comparison with market indices

In addition to funds with assets in excess of €500 million at the end of 2023, which are covered by Article 29 of the Energy and Climate Act, we have also chosen to publish taxonomy data on our SFDR Article 9 funds.
These are highly aligned because of their asset selection, which seeks to support companies in transition (alignment of Capex) and also those that are more advanced in the execution of their transition plan (alignment of income). We are also publishing data on our listed property fund, as this is one of the most aligned sectors of all.

So, within our product range:

R-co Thematic Real Estate is the fund with the highest alignment of income with

14.2%

R-co 4Change Green Bonds is the fund with the highest level of Capex alignment with

20.7%

For comparison purposes, we have chosen to publish the levels of four indices, including two that are representative of the Eurozone equity market (Euro Stoxx) and the international equity market (MSCI World), and two that are representative of the euro-denominated corporate bond market (IHS Markit iBoxx € Corporates) and the euro-denominated *High Yield*[1] bond market (ICE BofA Euro High Yield).

We observe a wide disparity in results between these four indices, which can be explained by the fact that:

- In 2023, only European companies were required to publish taxonomic data. For example, the proportion of companies publishing their taxonomy levels is very low in the MSCI World index, compared with the Euro Stoxx index.

- The companies with the highest-rated debt have higher levels of taxonomic alignment, on average, than those whose debt is categorised as *High Yield*. This may indicate a lack of resources on the part of the latter, which are often smaller-cap companies and are less advanced in their transition. Note also that the IHS Markit iBoxx € Corporates index has coverage of around 40%, while the ICE BofA Euro High Yield index has coverage of just 29%.

We note that the taxonomic data for our assets are generally in line with those of the standard indices. Our SFDR Article 9 funds are above their comparable index.

(1) '*High Yield*' bonds are issued by companies or governments with a high credit risk. Their financial rating is below BBB- on the Standard & Poor scale.

Taxonomy levels of main funds by objective and type of activity

as a % of turnover

Income

Status	Funds	SFDR	Assets under management (€ million)	**Eligibility**	of which Mitigation	of which Adaptation	**Alignment**	of which Mitigation	of which Adaptation	Enabling activities	Transitional activities	of which Gas	of which Nuclear
Funds > €500 million	R-co Valor	8	4,216	**3.0%**	0.0%	0.0%	**1.2%**	1.0%	0.0%	1.0%	0.0%	0.0%	0.1%
Funds > €500 million	RMM Trésorerie	8	2,923	**9.4%**	0.8%	0.0%	**3.3%**	2.8%	0.0%	1.0%	0.0%	0.0%	0.4%
Funds > €500 million	R-co Conviction Credit Euro	8	2,641	**9.3%**	0.5%	0.0%	**3.5%**	2.5%	0.1%	1.2%	0.2%	0.0%	0.4%
Funds > €500 million	R-co Target 2028 IG	8	2,107	**14.2%**	0.9%	0.0%	**4.0%**	2.9%	0.1%	1.2%	0.1%	0.0%	0.1%
Funds > €500 million	RMM Short Term	8	1,440	**14.2%**	2.4%	0.0%	**5.8%**	4.3%	0.1%	1.5%	0.0%	0.0%	0.8%
Funds > €500 million	Dedicated bond funds	8	967	**7.0%**	0.8%	0.0%	**1.9%**	1.8%	0.0%	0.7%	0.1%	0.0%	0.2%
Funds > €500 million	R-co Conviction Equity Value Euro	8	663	**20.6%**	3.1%	0.0%	**5.3%**	5.3%	0.1%	2.9%	0.0%	0.0%	0.0%
Funds > €500 million	R-co Conviction Credit 12M Euro	8	545	**12.4%**	0.4%	0.0%	**2.7%**	2.5%	0.0%	0.9%	0.1%	0.0%	0.1%
Thematic	R-co Thematic Real Estate	8	291	**54.5%**	18.8%	0.0%	**14.2%**	10.0%	1.5%	0.0%	1.0%	0.0%	0.0%
SFDR Article 9	R-co 4Change Green Bonds	9	31	**20.6%**	3.0%	0.0%	**12.1%**	11.4%	0.6%	4.5%	0.0%	0.0%	1.0%
SFDR Article 9	R-co 4Change Net Zero Credit Euro	9	68	**20.4%**	2.5%	0.0%	**10.0%**	9.4%	0.3%	3.7%	0.6%	0.0%	0.7%
SFDR Article 9	R-co 4Change Inclusion & Handicap Equity	9	16	**15.2%**	2.4%	0.0%	**5.7%**	5.5%	0.1%	3.4%	0.2%	0.0%	0.0%
SFDR Article 9	R-co 4Change Net Zero Equity Euro	9	127	**19.8%**	1.9%	0.0%	**5.6%**	5.4%	0.2%	3.8%	0.0%	0.0%	0.1%
SFDR Article 9	R-co Valor 4Change Global Equity	9	81	**8.2%**	1.3%	0.0%	**3.3%**	3.2%	0.0%	2.3%	0.0%	0.0%	0.0%
Euro share index	Euro Stoxx	-	-	**16.1%**	0.8%	0.0%	**4.4%**	4.2%	0.1%	2.8%	0.1%	0.0%	0.1%
World share index	MSCI World	-	-	**1.9%**	0.1%	0.0%	**0.6%**	0.5%	0.0%	0.3%	0.0%	0.0%	0.0%
Euro corporate bond index	IHS Markit iBoxx € Corporates	-	-	**15.3%**	1.8%	0.0%	**5.4%**	4.8%	0.1%	2.1%	0.1%	0.0%	0.4%
HY bond index	ICE BofA Euro High Yield	-	-	**10.0%**	0.4%	0.0%	**3.6%**	3.1%	0.3%	0.6%	0.0%	0.0%	0.7%

Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.

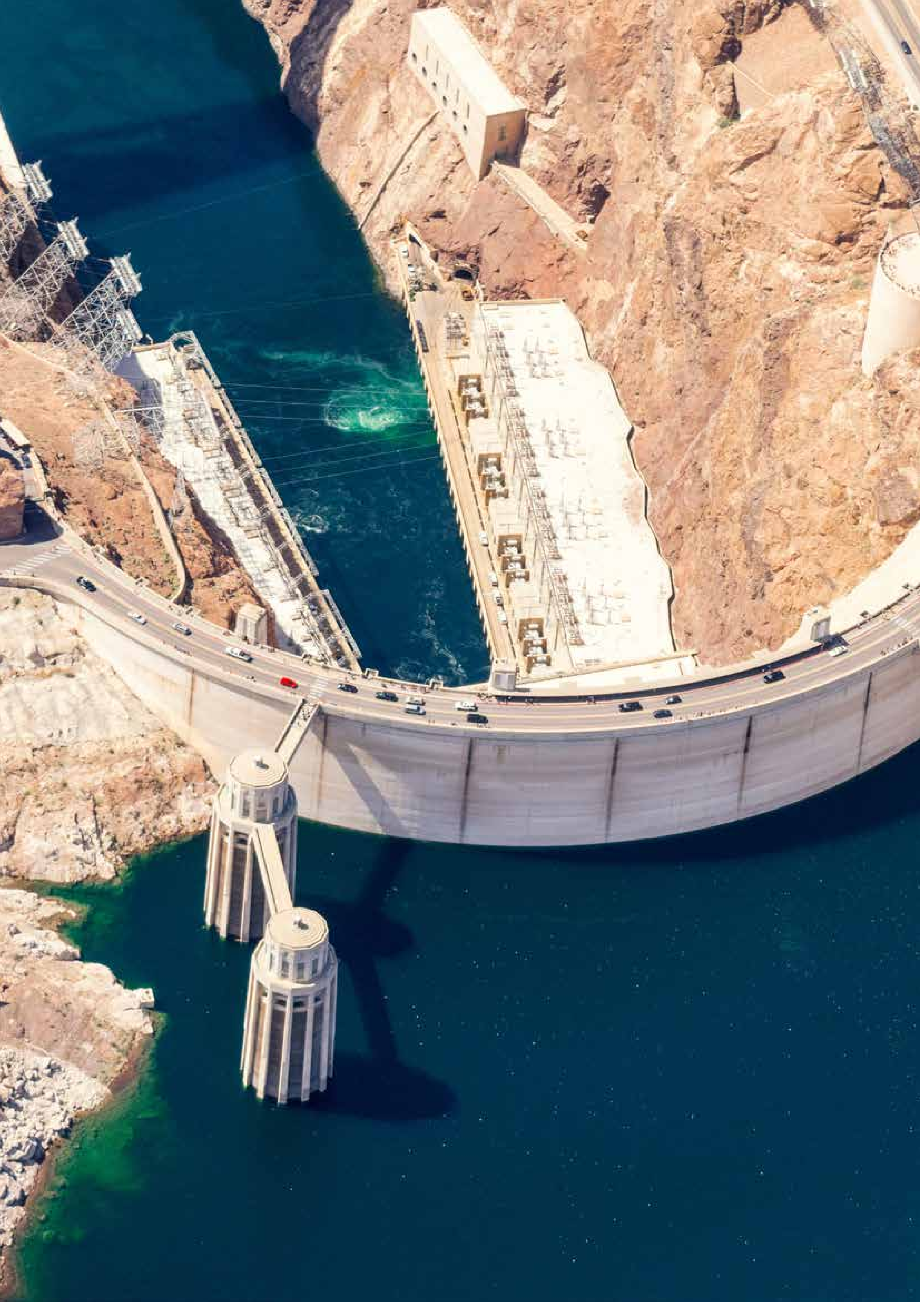
Taxonomy levels of main funds by objective and type of activity

as a % of Capex

CAPEX

Status	Funds	SFDR	Assets under management (€ million)	**Eligibility**	of which Mitigation	of which Adaptation	**Alignment**	of which Mitigation	of which Adaptation	Enabling activities	Transitional activities	of which Gas	of which Nuclear
Funds > €500 million	R-co Valor	8	4,216	**5.8%**	0.0%	0.0%	**1.5%**	1.2%	0.0%	1.0%	0.0%	0.0%	0.1%
Funds > €500 million	RMM Trésorerie	8	2,923	**12.8%**	0.8%	0.0%	**5.7%**	4.0%	0.0%	1.9%	0.0%	0.0%	0.4%
Funds > €500 million	R-co Conviction Credit Euro	8	2,641	**13.0%**	0.9%	0.0%	**5.5%**	4.0%	0.1%	1.3%	0.3%	0.0%	0.4%
Funds > €500 million	R-co Target 2028 IG	8	2,107	**17.8%**	1.3%	0.0%	**6.6%**	4.3%	0.1%	1.5%	0.3%	0.0%	0.1%
Funds > €500 million	RMM Short Term	8	1,440	**19.2%**	2.3%	0.0%	**9.2%**	6.5%	0.3%	2.8%	0.0%	0.0%	0.9%
Funds > €500 million	Dedicated bond funds	8	967	**9.8%**	1.5%	0.0%	**3.6%**	2.6%	0.2%	0.8%	0.5%	0.0%	0.2%
Funds > €500 million	R-co Conviction Equity Value Euro	8	663	**29.6%**	4.3%	0.0%	**12.2%**	11.3%	0.3%	4.2%	0.3%	0.0%	0.0%
Funds > €500 million	R-co Conviction Credit 12M Euro	8	545	**18.2%**	0.5%	0.0%	**6.2%**	5.7%	0.1%	1.4%	0.1%	0.0%	0.0%
SFDR Article 9	R-co 4Change Green Bonds	9	31	**28.4%**	3%	0.0%	**20.7%**	18.8%	0.6%	8.2%	0.1%	0.0%	0.7%
Thematic	R-co Thematic Real Estate	8	68	**56.1%**	19.1%	0.0%	**18.8%**	12.3%	3.6%	0.4%	4.3%	0.0%	0.0%
SFDR Article 9	R-co 4Change Net Zero Credit Euro	9	291	**30.9%**	2.7%	0.0%	**16.7%**	14.9%	0.9%	5.2%	1.2%	0.0%	0.3%
SFDR Article 9	R-co 4Change Net Zero Equity Euro	9	127	**31.4%**	3.1%	0.0%	**12.0%**	11.7%	0.3%	5.7%	0.2%	0.0%	0.1%
SFDR Article 9	R-co 4Change Inclusion & Handicap Equity	9	16	**21.1%**	3.2%	0.0%	**8.4%**	8.0%	0.0%	4.4%	0.6%	0.0%	0.0%
SFDR Article 9	R-co Valor 4Change Global Equity	9	81	**11.9%**	1.8%	0.0%	**6.2%**	5.1%	0.0%	2.8%	0.1%	0.0%	0.0%
Euro share index	Euro Stoxx	-	-	**28.1%**	0.9%	0.0%	**10.0%**	9.3%	0.3%	5.0%	0.3%	0.0%	0.0%
World share index	MSCI World	-	-	**3.3%**	0.1%	0.0%	**1.1%**	1.0%	0.0%	0.5%	0.0%	0.0%	0.0%
Euro corporate bond index	IHS Markit iBoxx € Corporates	-	-	**20.8%**	1.9%	0.0%	**10.4%**	9.0%	0.2%	3.8%	0.3%	0.0%	0.4%
HY bond index	ICE BofA Euro High Yield	-	-	**12.4%**	0.4%	0.2%	**4.9%**	4.4%	0.1%	0.8%	0.0%	0.0%	0.7%

Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.



Taxonomy level of the main funds by objective and type of activity
as a % of Opex

OPEX

Status	Funds	SFDR	Assets under management (€ million)	**Eligibility**	of which Mitigation	of which Adaptation	**Alignment**	of which Mitigation	of which Adaptation	Enabling activities	Transitional activities	of which Gas	of which Nuclear
Funds > €500 million	R-co Valor	8	4,216	**2.8%**	0.0%	0.0%	**1.2%**	0.8%	0.0%	0.9%	0.0%	0.0%	0.1%
Funds > €500 million	RMM Trésorerie	8	2,923	**9.1%**	0.8%	0.0%	**4.3%**	3.7%	0.0%	1.6%	0.0%	0.0%	0.6%
Funds > €500 million	R-co Conviction Credit Euro	8	2,641	**9.8%**	0.5%	0.0%	**4.6%**	3.6%	0.0%	2.2%	0.0%	0.0%	0.6%
Funds > €500 million	R-co Target 2028 IG	8	2,107	**12.7%**	0.9%	0.0%	**4.0%**	2.9%	0.1%	1.7%	0.2%	0.0%	0.1%
Funds > €500 million	RMM Short Term	8	1,440	**14.8%**	2.4%	0.0%	**7.8%**	6.1%	0.4%	2.4%	0.0%	0.0%	1.2%
Funds > €500 million	Dedicated bond funds	8	967	**6.0%**	0.8%	0.0%	**1.6%**	1.5%	0.0%	0.8%	0.0%	0.0%	0.2%
Funds > €500 million	R-co Conviction Equity Value Euro	8	663	**22.0%**	3.2%	0.0%	**8.3%**	7.5%	0.4%	4.3%	0.1%	0.0%	0.0%
Funds > €500 million	R-co Conviction Credit 12M Euro	8	545	**15.0%**	0.5%	0.0%	**4.5%**	4.3%	0.0%	2.2%	0.1%	0.0%	0.2%
SFDR Article 9	R-co 4Change Green Bonds	9	31	**21.7%**	2.2%	0.0%	**15.2%**	14.5%	0.5%	7.2%	0.0%	0.0%	1.3%
Thematic	R-co Thematic Real Estate	8	68	**20.9%**	2.0%	0.0%	**11.2%**	10.8%	0.2%	5.9%	0.1%	0.0%	0.8%
SFDR Article 9	R-co 4Change Net Zero Credit Euro	9	291	**44.7%**	19.0%	0.0%	**10.9%**	7.5%	0.4%	0.0%	0.0%	0.0%	0.0%
SFDR Article 9	R-co 4Change Net Zero Equity Euro	9	127	**19.3%**	1.9%	0.0%	**9.7%**	9.4%	0.3%	6.8%	0.0%	0.0%	0.1%
SFDR Article 9	R-co 4Change Inclusion & Handicap Equity	9	16	**15.7%**	2.3%	0.0%	**8.1%**	7.7%	0.0%	5.4%	0.2%	0.0%	0.0%
SFDR Article 9	R-co Valor 4Change Global Equity	9	81	**8.5%**	1.4%	0.0%	**4.8%**	3.7%	0.0%	2.8%	0.0%	0.0%	0.0%
Euro share index	Euro Stoxx	-	-	**17.7%**	6.9%	0.3%	**7.5%**	6.9%	0.3%	5.1%	0.1%	0.0%	0.0%
World share index	MSCI World	-	-	**2.1%**	0.8%	0.0%	**0.9%**	0.8%	0.0%	0.6%	0.0%	0.0%	0.0%
Euro corporate bond index	IHS Markit iBoxx € Corporates	-	-	**16.4%**	7.4%	0.1%	**8.3%**	7.4%	0.1%	4.0%	0.1%	0.0%	0.6%
HY bond index	ICE BofA Euro High Yield	-	-	**10.2%**	3.8%	0.2%	**4.3%**	3.8%	0.2%	0.8%	0.0%	0.0%	1.0%

Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.

Sectoral focus

Among our investments, the sectors with the highest levels of income alignment with the taxonomy (above 15%) are:

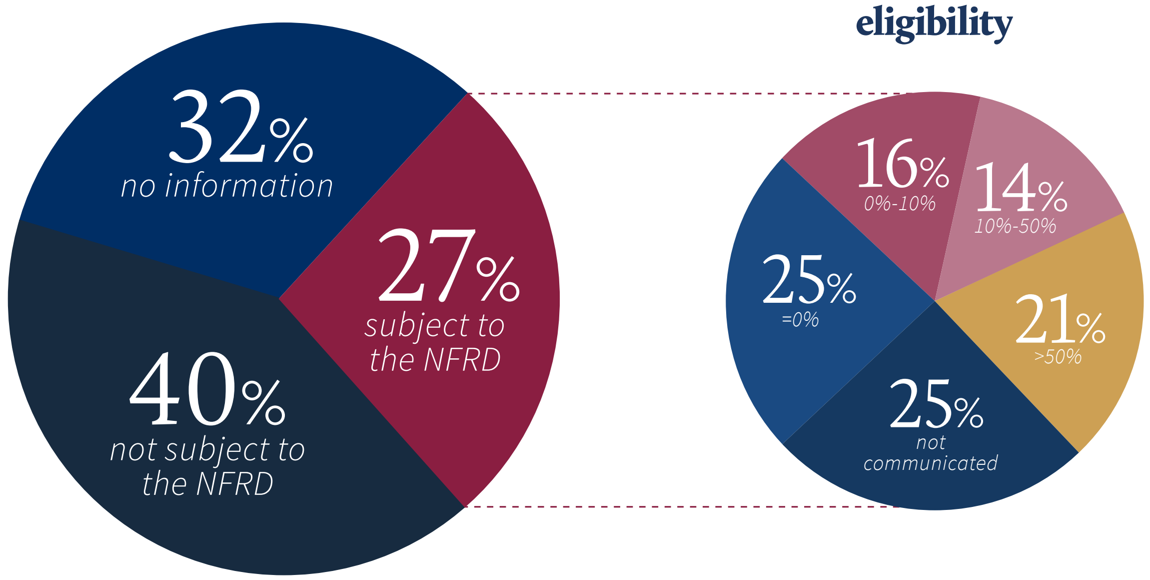
NACE sector	Average income alignment	Examples of portfolio companies
Production and distribution of electricity, gas, steam and air conditioning	52%	EDF, Iberdrola
Water production and distribution; Sewerage, waste management and pollution control	45%	Veolia
Real estate activities	27%	Klepierre, Altarea
Transport and storage	18%	La Poste
Construction	16%	Adif-Alta Velocidad

Source: MSCI ESG Research

Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.

Profile of issuers and publication of taxonomic eligibility

Breakdown by % of taxonomic eligibility



Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.

Limits and opportunities

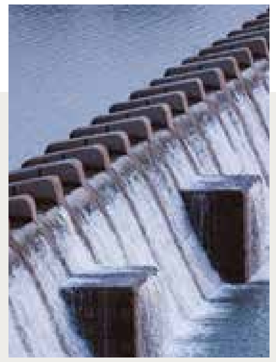
2023 was a transitional period, with non-financial companies providing data and financial companies expected to do so in the future. Therefore, at the date of publication of this report, we do not yet have the data communicated by financial companies.

Of the 1,609 issuers of our assets at 29/12/2023, 27% were subject to the Non-Financial Reporting Directive (NFRD), and 75% of these provided data on the taxonomic alignment of their income. These coverage rates are very similar to the ones for last year, at 24% and 69%, respectively.

Nevertheless, among those subject to the NFRD, taxonomic eligibility remained low: 25% of issuers have zero income eligibility, 30% - between 0% and 50%, 21% - above 50%, and 25% have not reported any data according to MSCI ESG Research.

The gradual collection of data provided by non-financial companies, and from financial companies in the near future, suggests **an improvement in the situation in the short term and will certainly allow us to reconsider the setting of minimums for aligning products with the taxonomy by the end of the year.**

Finally, the Taxonomy is a European Union regulation. Given that a large proportion of our assets are invested outside Europe, **it is unlikely that non-European issuers are going to publish this information, and that may limit the extent to which the taxonomy is implemented in our portfolios.**



Ambitions

Following the clarifications provided at the end of 2022 by the European supervisory bodies regarding the estimated data, we decided in the short term to commit to minimum investments with 0% taxonomy alignment for all our SFDR Article 8 & 9 products.

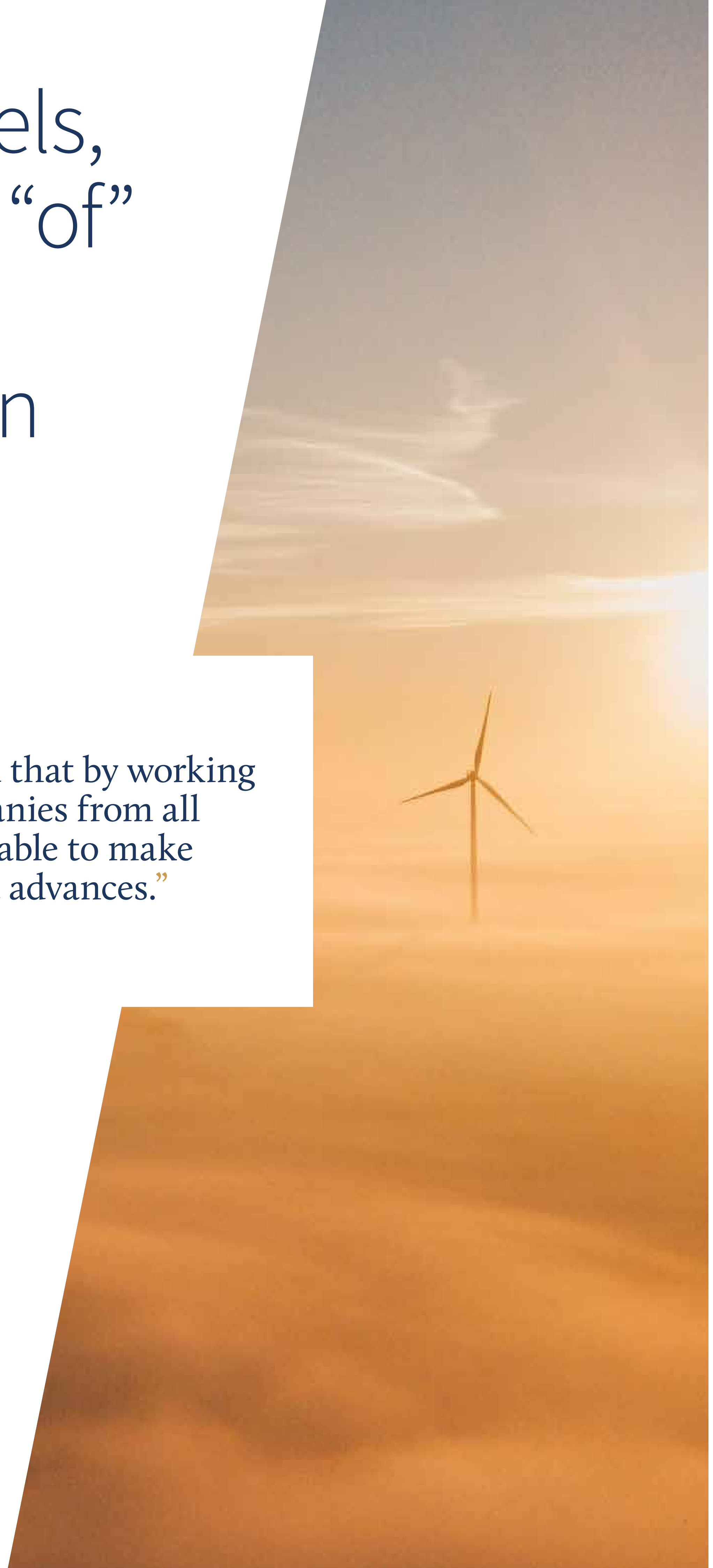
That being said, we are convinced that the taxonomy will make it possible to ensure consistency and to objectively assess an activity's contribution to the transition, thereby guaranteeing better comparability of financial products.
The taxonomy will also make it possible to reinforce the efforts made and to be made by a number of industries and economic entities, which we have historically supported as part of our investments and our transition approach. **That's why taxonomy is now an integral part of our sustainable approach.**

It is one of the areas we analyse in our transition plans, and one of the main themes of the engagement initiatives we carry out with the companies in which we invest.

We anticipate that, for an equivalent composition, the levels of taxonomy-aligned investments in our funds will increase as soon as the information communicated by financial companies becomes available. We will then be able to consider increasing the taxonomic commitments of our SFDR Article 8 & 9 funds by the end of 2024.

Finally, we are working on integrating taxonomic eligibility and alignment levels into our operational systems, in order to automate the process of calculating them.

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



“We're convinced that by working alongside companies from all sectors, we'll be able to make more significant advances.”

06

Energy sector and transformation of business models

At Rothschild & Co Asset Management, we believe that in order to significantly reduce greenhouse gas emissions, we cannot avoid taking an interest in the companies that emit the most. That's why we believe it's vital that our funds include assets in the carbon-intensive sectors that are experiencing in-depth transformation of their business models. We believe that, through structured engagement, investors can raise awareness and encourage companies to adopt investment plans that will accelerate and give credibility to their strategy for alignment with the Paris Agreement. We're convinced that by working alongside companies from all sectors, we'll be able to make more significant advances.

Participation in local initiatives and commitment to demanding frameworks

2020

- Investment principles relating to thermal coal *via* the application of Urgewald's Global Coal Exit List
- Exclusions relating to unconventional 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

- Reinforcing our investment principles relating to thermal coal
- Formalising of guidelines for investment in fossil fuels
- Founding member of the Investors for a Just Transition coalition and member of the Energy sub-group

2023

- Member of the Fossil Energy Trajectory working group
- Use of Urgewald's Global Oil & Gas Exit List for Towards Sustainability-labelled funds

In 2021, not least with the arrival of the European taxonomy, **the transition from fossil fuels to renewable energies seemed to be underway, driven by a handful of leaders in the sector.**
The energy crisis that Europe experienced in 2022, triggered by the Russo-Ukrainian conflict and the drop in gas supplies from Russia, highlighted the **high dependence of certain Member States on fossil fuels and the need for greater diversification of the European energy mix**.
As a result, more 'carbon-intensive' substitutes have been used, leading to an increase in the use of thermal coal and relegating climate issues to second place behind the issue of energy security. **In this context, some players have taken a different path, towards renewables. As a result, the sector experienced a boom that year.**

2023, a year marked by high inflation and continuing interest rate rises, was particularly difficult for the renewables sector. In this complex economic environment, the profitability of major contracts for the deployment of renewable energy was undermined, particularly in the US *offshore* wind sector. Added to this is growing competition from Asia, which automatically puts pressure on prices and increases the scissor effect of rising raw materials costs.

The bursting of the renewables bubble was all the more violent because of the fact that the pool of renewables companies on the stock market is very small, with investors over-concentrating on these stocks.

The sustainable theme cannot escape financial constraints. The situation observed in renewables in 2023, in light of the excessive growth projections of all players, may echo other similar events experienced by the stock markets, such as the bursting of the Dot-com bubble. **Nothing is immune to the economic cycle**: inflation and rising interest rates have had a major impact on the highly indebted renewable energy sector.

The current context reinforces our convictions, which are embodied by our transition approach. Indeed, though the urgency and the political dimensions of the situation are not open to question, it is difficult to transform certain sectors, such as energy, rapidly. **The development of this sector requires a level of anticipation and investment that matches ambitions.** Diversifying our investments in the energy sector by selecting companies with robust transition plans allows us to combine performance with credibility in terms of the sustainable trajectories of the companies and our portfolios. We are continuing our engagement with this sector in order to support companies as they move in this direction and avoid any downward revision of certain commitments.

Exposure to the fossil fuel sector: thermal coal, oil and gas

PAI 4 'Exposure to companies active in the fossil fuel sector', one of the principal adverse impacts defined by the SFDR, provides the most conservative view possible. This measure states the proportion of our investments that is made in companies active in the fossil fuel sector (thermal coal, oil and gas), across the entire value chain (*upstream*, *midstream* and *downstream*) – regardless of the revenue they generate. The indicator has a coverage rate of almost 80%.

As of 29/12/2023:

Direct exposure:
€1,553 million, or:
5.3%
of total assets under management
down 1.3 points over the year

Indirect exposure (funds):
€389 million, or:
1.3%
of total assets under management
up 0.2 points over the year

Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.

ZOOM IN

Focus on thermal coal

Our thermal coal investment principles

Through our common exclusion framework, which is applied to all our investment vehicles, we have set principles for investment in the thermal coal sector since October 2020. 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 regularly update the thresholds in line with the recommendations of the NGO Urgewald, in order to bring ourselves into line with the international timetable for phasing out coal.

With this in mind, we have established the following principles:

- We will no longer lend to or invest in companies involved in **projects that involve developing new thermal coal mines, coal-fired power stations or infrastructure**;
- No further investments are to be made and no new financing is to be granted to companies for which:
  - More than **20%** of revenue comes from activities directly linked to thermal coal;
  - More than **20%** of the energy mix (per MWh generated) is based on coal;

    From June 2024, the above two thresholds will be lowered to **10%**, in line with Urgewald's recommendations.
  - Annual thermal coal production exceeds **10 megatonnes** (MT) per year;
  - Installed coal-fired capacity exceeds **5 gigawatts** (GW).
- No further investments will be made and no new financing will be granted to companies that derive more than **50%** of their revenue from services or infrastructure activities linked to thermal coal.

Where companies are not involved in new thermal coal capacity development projects but are directly and indirectly exposed to thermal coal above the thresholds defined above:

- We continue to provide financial support on a case-by-case basis:
  - **Companies implementing an exit strategy from coal**: companies must provide evidence, preferably public evidence, of the implementation of such a strategy; it must be aligned with the international timetable for phasing out coal and take into account the social impacts of this transition, and also quantitative evidence demonstrating that their commitments are credible. These elements include, among others, a phase out timetable (planned phase out date, phases and closures), the business strategy and social guarantees put in place, progress monitoring and the existence of external recognition and/or a reference framework.
  - **Green bonds respecting the framework of the International Capital Market Association 'ICMA'** and issued by subsidiaries with a different business activity and no links to thermal coal.

Exposure to the thermal coal sector

We hold residual exposure to companies that are active in the thermal coal sector *via* investments made in our portfolios.

- **Companies listed in Urgewald's Global Coal Exit List**, above the aforementioned thresholds in terms of income, energy mix, annual production or installed capacity:
  - Direct exposure to the value of these companies: 128.6 million euros, or **0.5% of total assets under management** - down 0.25 points over the year.
- These companies, in which we are invested, have a credible plan for phasing out coal according to our analysis and the criteria defined above. Annual monitoring is conducted in order to ensure that the established plan is being followed. **The proportion of our investments that is directed towards these companies fell over the course of the year**.
- **Companies with a link to thermal coal *via* reserves held and electricity generation**:
  - **Exposure to the value of these companies**:
    - Direct exposure: €687 million, or **2.3% of total assets under management**
    - Indirect exposure (funds): €137 million, or **0.5% of total assets under management**.
  - **Exposure, weighted by the company's revenue,** from this activity:
    - Direct exposure: €17 million, or **0.1% of total assets under management**.
    - Indirect exposure (funds): €4.7 million, or **0.02% of total assets under management**.

We want to show that the companies in the thermal coal sector in which we are invested – representing 2.3% of our assets under management – will in fact have only a marginal proportion of their revenue from this activity in 2023 – representing 0.5% of our assets. **These figures thus demonstrate the dilution of this activity and this resource in the business model and the energy mix of companies making the transition and implementing their plan to phase out thermal coal.**

Sources: Urgewald, MSCI ESG Research, 29/12/2023

ZOOM IN

Focus on fossil oil and gas

Our guiding principles for investing in fossil oil and gas

As far as fossil fuels are concerned, our approach is a long-term one: we want to support economic entities in their climate transition over time. Conscious of the fact that issuers involved in fossil fuel industries contribute to climate and biodiversity issues, **we analyse companies' trajectories in order to assess the potential, capacity and feasibility of transforming their business models towards less carbon-intensive activities**. We select the ones that are best placed to realise their ambitions and reduce their negative impact.

We seek to assess the company's overall environmental profile through key elements such as:

- Energy mix of production capacity and income breakdown
- Level of involvement in unconventional fuels
- New project pipeline
- Low carbon Capex

The above parameters are linked to our assessment of the company's climate strategy thanks to our **transition plan analysis grid**, enabling us to assess their credibility and robustness on six pillars:

- Governance of climate and just transition issues
- Transparent reporting of greenhouse gas emissions
- Public commitments to the climate
- Robustness of environmental objectives
- Measures and investments
- Results achieved in terms of transition

We seek to engage in regular dialogue with these players in order to monitor their real-world progress, not least by comparing it with the factors mentioned above. It is also an opportunity for us, on the one hand, to understand the strategic scope of the climate approach within the company and the challenges it faces and, on the other, to encourage them to formalise greenhouse gas (GHG) emission reduction targets for all scopes by 2050, based on a scenario that is aligned with the Paris Agreement and a methodological framework that is scientifically valid.

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

Since 2021, we have been actively involved in various working groups in the financial sector. As part of the AFG's working group on fossil fuels, we have contributed to the creation of a guide on this subject since 2021. Since then, we have joined the Paris Sustainable Finance Institute's Fossil Energy Trajectory working group, and are a founding member of the Investors for a Just Transition coalition, where we contribute to collaborative engagement in the energy sector.

Exposure to oil and gas

We hold exposure to companies that are active in the oil and gas sector ***via*** investments made in our portfolios, representing less than 5% of our assets. This is calculated over **the entire value chain (*upstream*, *midstream*, *downstream*)**:

- **Companies listed in the Global Oil & Gas Exit List published by Urgewald**:
  - Direct exposure to the value of the company: €1,232 million, or **4.2% of total assets under management**
- **Companies active in the oil and gas sector:**
  - Direct exposure, weighted by company revenue from oil and gas: €869 million, or **3.0% of total assets under management**

Sources: Urgewald, MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.

ZOOM IN

Focus on unconventional and conventional oil and gas

For **upstream activities in the value chain**, i.e. oil and gas extraction and production, we publish the breakdown by type of oil and gas.

01 Companies producing unconventional oil and gas, including in the Arctic:

Direct exposure to company values:
€521 million, or:

1.8%
of total assets under management
down 0.3 points over the year

Direct exposure in producing companies, weighted by income from **these activities** :
€21 million, or:

0.1%
of total assets under management
stable over the year

02 Companies producing conventional oil and gas:

Direct exposure to company values:
€662 million, or:

2.2%
of total assets under management
stable over the year

Direct exposure in producing companies, weighted by income from **these activities:**
€144 million, or:

0.5%
of total assets under management
up 0.2 points over the year

Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.

Note on methodology:

The results are based on data from MSCI ESG Research and Urgewald.

For some of the exposures presented, MSCI ESG Research does not provide fund data. The Urgewald data is not transparent for our fund investments.

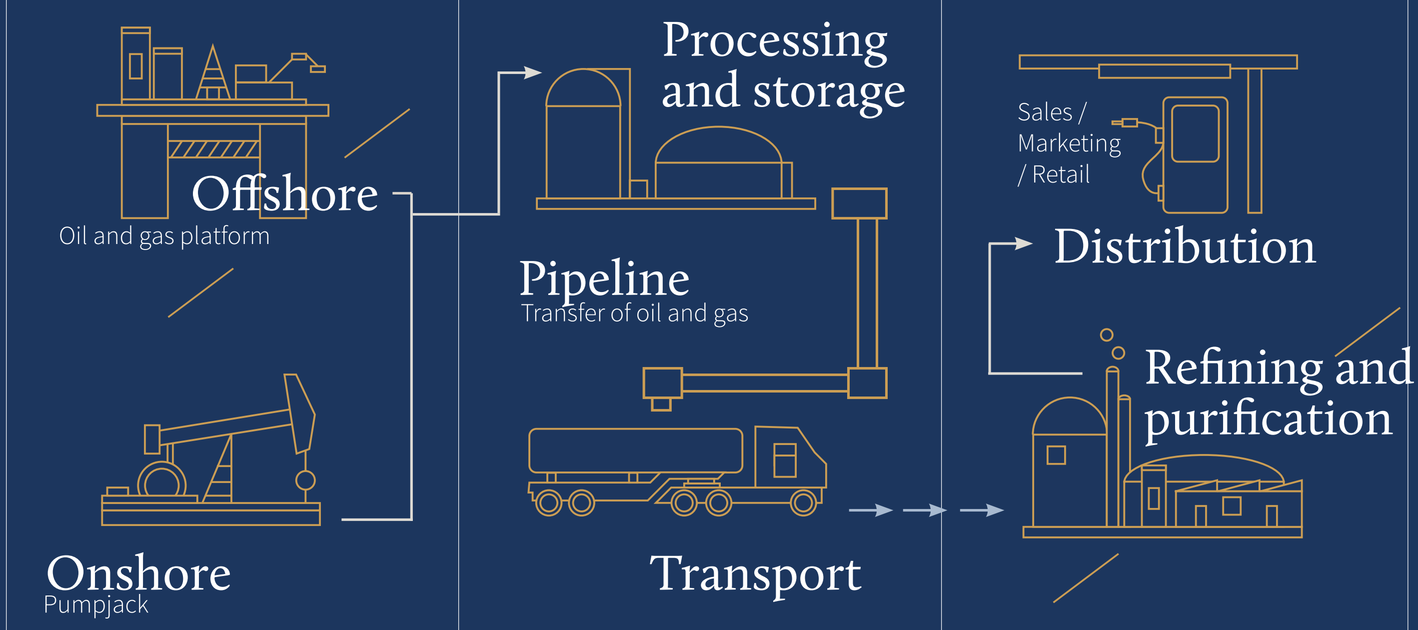
Exposures are always expressed as an amount, then as a percentage of our total assets, direct and indirect investments (investment funds).

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 fossil fuel income, while others are exposed but generate only a small proportion of their income in this sector. We have therefore chosen to present the results in two different but complementary ways:

- Exposure calculated by taking into account the value of companies that generate income greater than zero in that sector.
- Re-weighted exposure of the revenue each company generates via fossil fuel activities

The fossil fuel value chain

UPSTREAM	MIDSTREAM	DOWNSTREAM
UPSTREAM Oil and gas exploration and production	**MIDSTREAM** Transport and storage	**DOWNSTREAM** Preparing and using products
The upstream sector focuses primarily on the exploration of crude oil and natural gas deposits, and on production and recovery too. The upstream sector is also known as the exploration and production sector.	The midstream sector mainly comprises the storage and transport of oil and gas upstream via a network of pipelines, trucks, rails, ships, tanks and barges to the downstream sector.	The downstream sector focuses on the refining of crude oil and natural gas purification. This is also a sector where sales, marketing, product distribution and retailing take place. It is in this sector that we find the closest connection with consumers.



Definition of unconventional oil and gas
The definition of unconventional oil and gas includes oil sands, oil shale, coal and shale extraction activities.

There is no consensus among stakeholders about whether drilling in the Arctic and in ultra-deep water needs to be taken into account. The indicator we use to present our results takes drilling in the Arctic into account, but does not include offshore ultra-deepwater oil and gas activities.

Focus on our engagement with these companies

Engagement with companies active in the thermal coal sector:

Over the period 2021-2023: we engaged in 23 dialogues with 7 issuers.

In 2023 alone, we engaged in 12 dialogues with 7 issuers**.**

Involvement with companies active in the energy sector:

Over the period 2021-2023: we engaged in 36 dialogues with 15 issuers.

In 2023 alone: we engaged in 13 dialogues with 8 issuers.

Involvement with companies in the utilities sector (electricity generation):

Over the period 2021-2023: we engaged in 33 dialogues with 20 issuers.

In 2023 alone: we engaged in 19 dialogues with 13 issuers**.**

The energy companies that contribute most to our exposure to fossil fuels (PAI 4)

Energy	Oil and gas extraction and production (% revenue)	Taxonomic alignment (income)	Taxonomic alignment (Capex)	Interaction number 2021 - 2023	Interaction number 2023	Vote - Say on Climate
TotalEnergies	3.5%	1.3%	14.5%	**17**	**4**	'For' - 2023 'Abstention' - 2022 'Against' - 2021
ENI	9.8%	0.6%	14.1%	**1**	**0**	Not applicable
Schlumberger	5.0%	Not eligible	Not eligible	**3**	**0**	Not applicable

Source: MSCI ESG Research, 29/12/2023

Each of these companies underwent a detailed analysis of their climate transition plan, using the proprietary grid we deployed in 2023. Here is a summary:

TotalEnergies: Its transition plan is based on three strategic levers: decarbonisation, replacing coal with liquefied natural gas for supply, and generating electricity from renewable sources.

The implementation of this plan is underpinned by a corporate governance system that takes ESG and climate change issues into account, notably through a remuneration policy for senior executives, Say On Climate meetings at the Annual General Meeting, and the effective integration of CSR strategy within the various governance bodies, despite the fact that there is a strong concentration of these issues at senior management level. The reporting of its GHG emissions is sufficiently comprehensive. On the other hand, the Group's objectives do take account of the entire value chain in the short and medium term, but not in the long term.

In 2023, TotalEnergies has slightly increased its targets, particularly in terms of life cycle, but it has not published any new targets. Despite the ambitious targets for Scopes 1 and 2, the measures put in place could be strengthened. On the other hand, the Group has put in place numerous measures aimed at reducing its Scope 3 GHG emissions. Capex and revenue levels aligned with the taxonomy have increased only slightly. As a result, carbon intensity (emissions/revenue) across the entire value chain has fallen only slightly between 2019 and 2023 – while the volume of carbon emissions has not decreased.

ENI: The Group has a transition plan with reduction targets covering all emission scopes in the medium and long term. In the long term, its objectives are considered to be aligned with a 1.5°C trajectory according to the Transition Pathway Initiative (TPI). In addition, the measures and investments to be made in order to achieve its objectives are described in detail, while the trajectory for reducing its GHG emissions, particularly its Scope 3 emissions, is encouraging: over the last five years, GHG emissions have been on a downward trend.

ENI's strategy towards Net Zero is based on an industrial transformation plan deployed through the trajectories of the two divisions, which are distinct but go hand-in-hand: Natural Resources and Energy Evolution. 30% of investments directed towards *low carbon* by 2026, and 70% by 2030, although at this stage, Capex aligned to the taxonomy stands at just 14%. Despite management's strong commitment to climate issues, the company is not planning a Say on Climate for the time being.

Schlumberger: Its transition strategy is particularly advanced overall, although governance is marginally penalised by the absence of non-financial criteria in variable remuneration components, and also by the lack of transparency on Capex that is already earmarked, or is to be earmarked, for low-carbon activities. Schlumberger presents exhaustive reporting of its GHG emissions, including avoided emissions (scope 4).

Short- and medium-term targets have been set, so as to move towards Net Zero by 2050. To date, Schlumberger is the only company in the sector to have formalised a Net Zero ambition across its entire value chain. Numerous solutions are also being developed to decarbonise industry, such as the reduction of methane emissions from flaring, or the development of carbon capture and storage solutions (CCS), financed by the Inflation Reduction Act (IRA), an essential link in the financing of the energy transition in the United States.

The utilities companies that contribute most to our exposure to fossil fuels (PAI 4)

Services to Communities	Thermal coal-fired power generation (% of revenue)	Taxonomic alignment (income)	Taxonomic alignment (Capex)	Interaction number 2021 - 2023	Interaction number 2023	Vote - Say on Climate
Engie	0.3%	15.0%	58.0%	**0**	**0**	'For' - 2022
Iberdrola	0%	36.5%	86.5%	**5**	**2**	Not applicable
Enel	3.7%	21.4%	81.9%	**5**	**1**	Not applicable

Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023.

— **The climate transition plans of each of these companies underwent a detailed analysis. Here is a short summary:**

Engie: The company has made public commitments to 2030 targets and detailed sub-targets for the three emissions scopes, and these have been validated by SBTi. The fact that 58% of investments are aligned with the taxonomy supports Engie's ambitious objectives, such as the development of green and renewable energies. Management is involved via a well-established CSR department, resulting in a Say on Climate vote at the Annual General Meeting in 2022.

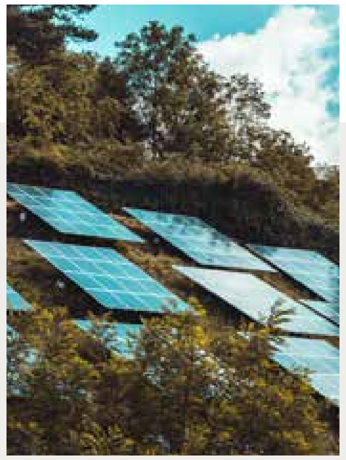
However, the Group needs to improve the granular detail of its scope 3 reporting. Engie's long-term commitments (2045) could be formalised and detailed for external validation. It is important to note that Engie differentiates itself from its peers by integrating the issues linked to the just transition, with detailed explanations in its Universal Registration Document.

Iberdrola: Iberdrola has a solid transition plan. Its governance is well structured, integrating CSR issues through a dedicated committee. ESG/CSR issues are taken into account in executives' variable remuneration, in both the short term and the long term. In addition, Iberdrola lists the training courses for members of its Board of Directors. Generally speaking, the company has integrated the climate transition into its governance well, but it could still improve by appointing a CSR manager to the Executive Committee or by introducing a Say on Climate.

For its part, its reporting is comprehensive and transparent, coupled with solid climate commitments, validated in the short and long term by SBTi. Iberdrola has removed coal from its energy mix, since it no longer has any coal-fired power stations, and is moving towards alternative energies, such as green hydrogen, supported by a high level of Capex aligned with the taxonomy (87%).

Enel: A successful and robust transition plan. Enel has a clear and precise transition strategy, with targets for reducing GHG emissions in the short, medium and long term, validated by SBTi (Net Zero by 2040). The Group is a leader in a particularly emissions-intensive sector, with 21% of its revenue and 82% of its Capex aligned with the European taxonomy (2022), and has an encouraging track record in terms of reducing its GHG emissions. Enel is at the forefront of just transition, taking into account the social impacts of changing its business model and implementing its environmental transition plan.

The Group's governance structure is also well suited to driving its transformation through. An *ex-ante* Say on Climate would validate the credibility of the transition strategy, while an *ex-post* Say on Climate would allow investors to monitor progress over time.



Ambitions

The proportion of our direct investments made in companies in the fossil fuel sector fell over the course of the financial year 2023, in thermal coal, oil and gas. Our exposure to unconventional oil and gas production also fell.

Our ambition is to continue to deploy our climate transition plan analysis grid for the companies in which we are invested, particularly in this sector, where involvement is vital if we are to meet the targets set by the Paris Agreement. Our analysis grid enables us to select the issuers best placed to make the transition. Our analysis takes into account the monitoring of their decarbonisation trajectory, the evolution of their product and service mix, and the transformation of their business model in their investments and financial results.

We are keeping a close eye on developments in the sector, and also on best practice in sustainable investment.
In 2023, we saw management constraints harden for some frameworks.
For example, companies developing new hydrocarbon exploration or extraction projects are now excluded from Towards Sustainability-labelled funds, and from 2025 onwards they will be excluded from SRI-labelled funds, as announced by the Minister of the Economy and Finance, Bruno Le Maire, at the end of last year. **These reference frameworks have been strengthened in order to enhance their credibility in the eyes of the public and make them more demanding of players in the fossil fuel sector.**

This trend is also emerging among our institutional clients, who are making new demands. **Some of them are deploying climate roadmaps, and we are helping them implement these roadmaps for their dedicated portfolios.** The measures taken may take the form of exclusions, but they may also involve bespoke analysis, management and monitoring. Generally speaking, we are committed to increasing transparency and reporting, both on their dedicated vehicle and on the open-ended funds in which they are invested.

Our trajectory for alignment with the Paris Agreement

"Our philosophy: take sustainable action for the climate via the transformation of business models."

07

Our guiding principles for reducing GHG emissions

At Rothschild & Co Asset Management, we have chosen the path of transition, considering that, in order to significantly reduce GHG emissions and comply with the Paris Agreement, we cannot avoid considering the companies that emit the most.

That's why we believe it's vital that our funds include assets in the carbon-intensive raw materials, energy, construction, chemicals and utilities sectors that are engaged in a process of robust transformation of their business models. We believe that, through structured engagement, investors can raise awareness and encourage companies to adopt investment plans that will accelerate and give credibility to their strategy for alignment with the Paris Agreement. The effects will be all the more tangible thanks to the involvement of these major issuers.

Current resources and tools

- Investment principles relating to the thermal coal sector in line with the international timetable for phasing out coal, applied to all our investment vehicles;
  We regularly lower our thresholds in line with Urgewald's recommendations and the Global Coal Exit List;
- Fossil fuel investment guidelines;
- Inclusion of climate and taxonomic information in the analysis via MSCI ESG Research, Carbon4 Finance, SBTi (Science-Based Targets initative) and TPI (Transition Pathway Initiative);
- Deployment of a proprietary analysis grid to judge the credibility and robustness of an issuer's transition plan, with the predefined criteria divided into six pillars: analysis of the governance of climate and just transition issues, transparency of GHG emissions reporting, public climate commitments, robustness of environmental objectives, measures and investments and results observed in terms of transition;
- Engaging with issuers on the issue of climate transition;
- The integration and management of sustainability risks in risk mapping, in particular physical climate and transition risks. We conduct a detailed analysis of the indicator of potential loss of a company's market value under a given extreme climate scenario: Climate Value at Risk.

Indicators and alignment measures currently under consideration

- Carbon intensity, measured in tonnes of CO_2 of scope 1 and 2 equivalent emissions per million euros of revenue;
- Monitoring the transition profiles of our portfolios through monthly or quarterly ESG reporting: exposure to '*stranded assets*', SBTi reduction targets ('*Target Set*' and '*Committed*') and green share;
- Taxonomic alignments in revenue, Capex and Opex;
- The principal adverse impacts relating to carbon emissions, in line with the SFDR definitions, for a better understanding of each emissions item and the biases embedded in our allocations;
- The increase in implicit temperature is a complementary indicator for capturing more concretely the potential contribution to global warming and the deviation from the Paris Agreement target scenario.

		PAI 1 – Absolute greenhouse gas emissions				PAI 2 – Carbon footprint				PAI 3 – Carbon intensity				Implied temperature rise	
Scope	**Assets under management (€ million)**	**Scope 1**	**Scope 2**	**Scopes 1 & 2**	**Scopes 1, 2 & 3**	**Scope 1**	**Scope 2**	**Scopes 1 & 2**	**Scopes 1, 2 & 3**	**Scope 1**	**Scope 2**	**Scopes 1 & 2**	**Scopes 1, 2 & 3**	**Scopes 1, 2 & 3 - MSCI ESG Research**	**Scopes 1, 2 & 3 - Carbon4 Finance**
R-co Valor	4,215	61,360	35,929	97,289	1,073,603	19 (1)	11 (0)	30 (2)	331 (-72)	55 (-27)	31 (-9)	86 (-35)	753 (-279)	2.5	3.7 (0.2)
RMM Trésorerie	2,923	69,117	12,852	81,970	569,425	36 (-29)	7 (-1)	42 (-31)	294 (-99)	40 (-44)	9 (-2)	49 (-46)	526 (-60)	2.7	2.2 (-0.6)
R-co Conviction Credit Euro	2,641	114,776	15,484	130,260	1,093,121	67 (-59)	9 (-3)	76 (-62)	642 (-47)	63 (-83)	13 (-7)	76 (-90)	707 (-257)	2.4	3.0 (0)
R-co Target 2028 IG	2,107	133,715	21,714	155,429	994,405	90	15	104	668	71	19	90	679	2.4	3.3
RMM Short Term	1,440	63,703	9,608	73,312	356,129	73 (-9)	11 (1)	84 (-8)	409 (22)	79 (-33)	15 (0)	94 (-33)	616 (-10)	2.6	2.0 (-0.6)
Dedicated bond funds	967	28,727	3,748	32,475	405,279	39 (0)	5 (0)	45 (1)	556 (126)	36 (-16)	8 (-2)	44 (-19)	669 (-22)	2.2	3.2 (-0.3)
R-co Conviction Equity Value Euro	663	153,708	11,438	165,146	660,824	232 (36)	17 (-1)	249 (35)	998 (121)	192 (0)	19 (-1)	211 (-1)	1,037 (14)	2.3	2.9 (0.1)
R-co Conviction Credit 12M	545	26,925	4,881	31,806	189,561	67 (12)	12 (0)	79 (32)	472	55 (16)	16 (0)	71 (14)	610 (-74)	2.1	2.9 (0.2)
R-co 4Change Net Zero Equity Euro	128	8,787	1,157	55,057	64,026	69 (11)	9 (-1)	78 (10)	507 (9)	68 (-12)	12 (-4)	80 (-16)	646 (-104)	2.0	2.1 (-0.1)
R-co 4Change Net Zero Credit Euro	68	2,251	837	3,088	24,701	39 (-4)	14 (1)	53 (-4)	424 (-16)	53 (-24)	25 (-3)	78 (-27)	577 (-135)	2.0	2.0 (0)
Total assets under management - Rothschild & Co Asset Management	**29,920**	**1,410,604**	**262,102**	**1,672,705**	**10,979,830**	**64 (-5)**	**12 (0)**	**76 (-5)**	**497 (-2)**	**73 (-28)**	**21 (-5)**	**94 (-33)**	**670 (-118)**	**2.4**	**3.0 (0.2)**
Euro Stoxx		-	-	-	-	71	14	85	570	97	31	128	926	2.1	2.7
MSCI World		-	-	-	-	36	8	43	369	87	25	111	838	2.5	3.7
Bloomberg PAB Europe		-	-	-	-	6	5	11	178	15	14	29	507	1.9	2.5
IHS Markit iBoxx € Corporates		-	-	-	-	65	11	77	516	99	27	125	791	2.1	2.5
ICE BofA Euro High Yield		-	-	-	-	99	20	119	660	123	27	150	682	2.2	3.1
MSCI Corporate Bond SRI PAB		-	-	-	-	34	10	44	247	46	28	74	472	2.1	2.5
Measurement units and source	€ million	Tonnes of CO_2 equivalents - MSCI ESG Research				TCO_2eq/€m (EVIC) - MSCI ESG Research				TCO_2eq/€m (revenue) - MSCI ESG Research				Degree Celsius - MSCI ESG Research	Degree Celsius - Carbon4 Finance

Source: Rothschild & Co Asset Management, MSCI ESG Research, Carbon 4 Finance, 29/12/2023

In brackets, the change compared with the figures at the end of financial year 2022, with the exception of R-co Target 2028 IG, which had assets under management of no more than €500 million last year, and indices for which we do not have figures for the previous financial year.

The carbon emissions (PAI 1) of our portfolios are proportionate to their assets under management – the larger the assets under management, the higher the emissions. For this reason, we do not publish trends over the last financial year or levels for market indices.

MSCI ESG Research has changed its methodology for calculating temperature. What's more, compared with 2022, coverage has increased: the methodology now takes account of investment funds – and not just direct lines. In this respect, the change compared to last year's report is not explicitly mentioned in the table, as the data is not directly comparable.

Main conclusions

The carbon footprint and intensity levels of our outstanding loans are of the same orders of magnitude as the ones calculated for the comparison indices used. Over the course of the financial year 2023, the carbon footprints (tonnes of CO2eq / EVIC) of all our assets under management fell by almost 5% for scopes 1 & 2 and more marginally for scopes 1, 2 and 3. This downward trend is more pronounced for carbon intensity (tonnes of CO2eq / revenue), with scopes 1 & 2 down by 26% and scopes 1, 2 and 3 down by 15%. This decrease can be explained by several factors:

- **An actual reduction in absolute emissions by portfolio companies.**
- **The use of a monetary approach:** the company's financial situation (its value or revenue) influences its carbon footprint and intensity. With the economic context of 2023, in particular inflation, the revenue figures of portfolio companies have tended to benefit from advantageous *pricing power*, leading to an increase in income for these companies, with a mechanical downward impact on carbon intensities.
- **An increase in the proportion of bond holdings over the year** (+10 points): bond funds with assets in excess of €500 million have lower carbon footprints and intensities than equity funds in the same category, reflecting investments in less carbon-intensive sectors.

Looking at asset classes, the carbon intensities of fixed income portfolios are slightly below bond indices. On the other hand, the carbon intensity of the European equity portfolio is above its Euro Stoxx benchmark, in line with its marked exposure to companies associated with the '*value*[1]' style, corresponding to its management objective. This also highlights the disparity in levels of progress within certain sectors and the need to be vigilant in considering the different levels of transition of certain European industries, particularly in view of the challenges associated with '*hard to abate*[2]' emissions in activities that are still important in our real economies.

According to Carbon4 Finance, the implied temperature rise of our assets is +3°C, up 0.2°C on the previous year. This increase is partly explained by our R-co Valor fund, which represents 14% of our assets under management. Its implied temperature rise is +3.7°C. The fund invests in Chinese and American companies, for which the transition of their business model is at a less advanced stage.
It should be noted, however, that the fund's international bias means that our provider is not able to provide the same quality of data in this area. The fund is in line with the MSCI World index, which serves as our benchmark.

The two Net Zero strategies stand out from the other portfolios and from our total assets. The two SRI-labelled SFDR Article 9 funds aim to have carbon intensities (scopes 1 and 2) that are 20% lower than their benchmark index and an average reduction of -7% per year by the end of 2019.

- **In line with our management strategy, the carbon intensity of our funds fell over the course of the year**, well below the market indices for all scopes, 1, 2 and 3. They are nevertheless above those of their respective Paris Aligned Benchmark (PAB) indices. This is evidently explained by the construction of the PAB indices, which exclude carbon-intensive sectors such as energy and electricity producers, but give greater exposure to *low-carbon* sectors such as consumption and technology.
- **Taking a more forward-looking view, the implied temperature rise is 2.1°C for the equity fund and 2.0°C for the bond fund,** according to Carbon4 Finance, below those of the PAB indices used for comparison purposes. If we look at the MSCI ESG Research methodology, temperatures are around 2°C for Net Zero funds and PAB indices. These factors highlight our ability to select transition assets, in line with the funds' strategy. **Over the year, temperatures were stable for both funds; over a 3-year period, temperatures fell by almost 1°C.**

(1) A 'value' strategy is one in which the investor looks for companies that are undervalued by the market at a given time, i.e. one whose market valuation is lower than what it should be given the results and the value of the company's assets. 'Value' investors select stocks with low price-to-book ratios or high dividend yields.
(2) Difficult to reduce.

Limits

Scope 3: Scope 3 data is not standardised, is still poorly understood by issuers and is subject to double counting when aggregated across a portfolio. In this report, we monitor and compare the scope 3 emissions made available by MSCI ESG Research. These are partly estimated using our provider's methodology and they take the entire value chain (upstream and downstream) into account.
Scope 3 emissions and the relative measures associated with them are taken into account in our transition plan analysis grid. For issuers whose scope 3 emissions may be significant, these elements may be considered in the investment case, particularly for Net Zero strategies.

Absolute emissions: We have chosen not to include changes in absolute emissions in the table, as these changes are proportionate to the assets of the asset management company and the portfolios. Given the increase in assets under management in 2023, any comparison with the previous year will not allow us to analyse the changes associated with the companies invested in and the investment choices made.

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 according to the valuation of equity and debt. This means that it is subject to market fluctuations and can change on a daily basis. Carbon intensity, on the other hand, is based on a company's revenue and indicates the CO^2 capital intensity of its business model. Revenue information is provided by companies on a standardised and recurring basis, and is not dependent on financial market valuations.

Implied temperature rise: This indicator has the advantage of being easy to understand, but the methodological biases between providers remain considerable and give rise to significant discrepancies, as shown in the table. We seek to take the temperature profiles of our issuers into account by favouring scientific approaches and, in particular, the targets set as part of the Science Based Target (SBTi) initiative.

Ambitions and 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 assets under management in open-ended funds**, representing 60% of our assets under management, at the end of November 2022. At 29/12/2023, as a result of changes in assets under management and market performance, this share stood at €19,336 million, or **65% of total assets** – up 7 points over the year. This commitment was made as part of the Net Zero Asset Managers initiative.

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

To do this, we chose the **Science Based Targets Initiative's 'Portfolio coverage'** methodology, namely, the percentage of companies with targets based on climate science and aligned with a 1.5°C temperature increase scenario. **We have defined an intermediate target for 2030, and our goal is that 75% of our assets under management be invested in companies with objectives that are in line with a 1.5°C scenario, within the basket of assets held through our open-ended direct management funds**. The effectiveness of this commitment is measured annually and reviewed by our various ESG committees, the governance of which is detailed in part 4 of this report.

The Science Based Target initiative establishes greenhouse gas emission reduction frameworks that are in line with a 1.5°C scenario for each sector (note that at this stage, no framework for the energy sector has been finalised). 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 in order to achieve the objectives of the Paris Agreement: limiting global warming to 1.5°C above pre-industrial levels. The companies that are committed to the initiative have 24 months to get their greenhouse gas reduction targets validated. All emissions scopes are considered. **The targets must cover Scopes 1 and 2. For companies whose Scope 3 emissions account for more than 40% of total emissions, the targets must cover all scopes.**

This commitment does not cover dedicated products for which the asset management company is obliged to respect the constraints and wishes expressed by the client. Funds of funds are not covered, either. Although climate ambitions are part of our *due diligence* processes (at the asset management company and fund level under review), no formalised approach has been defined for funds of funds, and no consensus regarding methodologies and mechanisms seems to be emerging among our underlying investment funds. At present, it seems premature to define a 'Net Zero' approach for multi-management. 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 factors should enable us to better integrate these issues into our multi-management business.

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

All the elements relating to the alignment strategy of the two Net Zero funds are set out in detail in the Transparency Code for Rothschild & Co Asset Management labelled funds, available on our website.

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

Evolution of our profile according to the SBTi approach

	2023			2022		
Funds / Scope	**Target Set**	**Committed**	**Target Set + Committed**	**Target Set**	**Committed**	**Target Set + Committed**
Assets under management > €500 million						
R-co Valor	**25.0%**	20.1%	45.1%	**27.9%**	22.1%	50.0%
RMM Trésorerie	**21.7%**	19.2%	40.9%	**38.6%**	20.7%	59.3%
R-co Conviction Credit Euro	**23.0%**	13.3%	36.3%	**20.0%**	18.2%	38.2%
R-co Target 2028 IG	**29.2%**	9.7%	38.9%	**-**	-	-
RMM Short Term	**30.0%**	15.9%	45.9%	**42.9%**	20.1%	63.0%
Dedicated bond funds	**21.5%**	8.1%	29.6%	**14.1%**	13.5%	27.6%
R-co Conviction Equity Value Euro	**55.0%**	14.8%	69.8%	**50.6%**	17.9%	68.5%
R-co Conviction Credit 12M Euro	**23.2%**	15.4%	38.6%	**22.8%**	28.3%	51.1%
Net Zero strategies						
R-co 4Change Net Zero Equity Euro	**67.7%**	9.6%	77.3%	**59.6%**	14.9%	74.5%
R-co 4Change Net Zero Credit Euro	**46.7%**	17.7%	64.4%	**38.5%**	19.8%	58.2%
Scope covered by our NZAM commitment	**28.6%**	**13.9%**	**42.5%**	**28.6%**	**17.1%**	**45.7%**
Direct investment – Rothschild & Co Asset Management	**29.9%**	13.6%	43.5%	**29.4%**	18.2%	47.6%
Euro Stoxx	**60.9%**	16.7%	77.6%	**-**	-	-
MSCI World	**47.3%**	15.9%	63.2%	**-**	-	-
IHS Markit iBoxx € Corporates	**46.4%**	13.0%	59.4%	**-**	-	-
ICE BofA Euro High Yield	**41.5%**	7.4%	48.9%	**-**	-	-

Data collected by MSCI ESG Research, as at 29/12/2023. They do not come directly from the SBTi database. As a result, there may be a time lag for some issuers.

28.6%
of the scope covered by our commitment to the NZAM initiative is invested with issuers whose carbon emission reduction targets are aligned with the Paris Agreement according to SBTi.

13.9%
of our assets are invested in issuers that have begun the process of validating their carbon emission reduction targets.

42.5%
of total assets covered by our 2030 objective are invested in issuers committed to SBTi, or whose objectives have been validated.

Portfolios with primary exposure to equities show improved results for companies whose targets have been validated.

Bond portfolios, on the other hand, faced more significant variations. In particular, we note a material decline in Target Set investments for money market funds, RMM Trésorerie and RMM Court Terme. **These figures are the result of increased exposure to the banking sector in these two funds, a sector which represents more than half of the allocation, and which increased further over the course of the year. However, this sector did not have any SBTi guidelines, a framework that had yet to be defined by the end of 2023.** The Scientific Initiative published a methodology for this sector in 2024, which we hope financial entities will adopt. The latter is aimed in particular at financing the oil and gas sector, which itself lacks a methodology at this stage.

In terms of dynamics, **the issuers of our assets under management showed a weaker intention to validate objectives**, reflected in the drop in '*Committed*' results, across all asset classes combined. In 2023, we noted that some issuers had fallen out of this category and abandoned their commitments to the initiative.

Given the growing proportion of bond positions in our total assets, the positive trend observed in equities is offset by the fall in the *Target Set* percentages for bonds.
The overall percentages for NZAM and total assets under management were therefore stable over the course of the year.

Finally, among our bond funds, **the sometimes significant lack of issuer coverage** may reduce the levels observed when expressed as a percentage of assets.

The two Net Zero strategies, for their part, are pursuing their objective of being 90% invested in companies whose objectives are validated by SBTi. Both funds have higher percentages than the market indices, with an increase of +8 points over the course of the financial year. This criterion is taken into account in the asset selection of these two portfolios, and is highlighted in the transition plan analysis grid.

Generally speaking, we treat issuers' decarbonisation trajectories as a priority matter when we communicate with them. This is how we approach their SBTi commitments and objectives, or encourage them to adopt this framework, which has become a benchmark for investors. By the end of 2023, we had had conversations with almost 30 issuers, across all sectors, about this specific subject.

The results analysis for these indicators is based on all the direct investments made by Rothschild & Co Asset Management and does not cover investment funds. MSCI ESG Research will propose suitable indicators for the 2024 financial year.

Carbon4 Finance assessment of our carbon profile

Carbon Impact Ratio

The Carbon Impact Ratio, or CIR, is the ratio between saved emissions and induced emissions (Scope 1, 2 and 3). In particular, it identifies companies that have significantly improved the carbon efficiency of their operations, and also companies that sell products and solutions that lead to a reduction in GHG emissions over their lifetime. A company's CIR increases when its saved emissions increase, or when its induced emissions decrease. The CIR therefore represents a company's capacity to reduce GHG emissions in relation to the induced emissions by its activity and products. As such, it represents a company's contribution to the transition to a low-carbon economy.

- **Induced emissions** are emissions that result from an entity's activities (the company's carbon footprint).
- **Saved emissions** is a measure of an entity's contribution to climate change mitigation, and is the sum of emissions avoided and emissions reduced:
  - **Emissions avoided** is the difference between induced emissions and a base position.
  - **Emissions reduced** are the emissions resulting from the entity's own efficiency improvements compared to a base year.

CIR – at 29/12/2023

Direct investments – Rothschild & Co Asset Management	**0.11**
- Shares	0.11
- Bonds	0.11
Euro Stoxx	0.10
MSCI World	0.05
IHS Markit iBoxx € Corporates	0.16
ICE BofA Euro High Yield	0.16

The Carbon Impact Ratio of all Rothschild & Co Asset Management direct investments is positive, reflecting the positive average contribution of portfolio companies to the transition to a low-carbon economy. Their saved emissions are higher than the induced emissions by their activities.

The CIR is higher for our equity investments compared with European and global market indices, reflecting our investments in transition sectors such as power generation, transport and construction.
As for **our bond positions, these have a lower RIC than the European market indices,** reflecting the overweighting of the financial sector in our portfolios. The saved emissions are not significant in the short term for this sector, as they depend on the sectoral decarbonisation trajectories of their financing.

Ambitions

Vigilance on climate objectives and the effective implementation of them: Since 2022 and our commitment to the Net Zero Asset Managers initiative, we have been monitoring key climate indicators in our portfolios, in particular the percentage of companies whose targets have been validated by SBTi, and the percentage of companies engaged in this process. Given the stable trend seen over the year, we will continue to monitor the progress of our Net Zero commitment, partly through the analysis and selection of portfolio companies. We will remain vigilant with regard to methodological developments in SBTi and the provision of frameworks that are accessible to all sectors, the most recent changes to which affect the financial sector.

Engagement: Given our approach to sustainability, focused on transition and support for all sectors, including the most carbon-intensive ones, stewardship seems essential towards the companies that we have selected. We will continue our efforts on climate issues and on the importance we attach to scientific reference frameworks as investors. In the light of our investments in companies in the financial sector, we will be asking them about the new framework deployed by SBTi. More generally, we will ensure that they implement sectoral decarbonisation trajectories, and that they continue their efforts in terms of reporting and reducing the carbon emissions of their investments, in other words, their downstream scope 3.

Asset analysis and selection: The implementation of our transition plan analysis grid is an essential lever for action. It allows us to monitor the objectives of the companies in which we invest, and their transition trajectory too. In fact, the successful pursuit of their climate objectives is key in the analysis of these companies, over and above their commitment to SBTi.

The analysis grid also allows us to take more existing reference frameworks into account, particularly for the financial and energy sectors. Our ambition is to extend the scope of this in-depth analysis within our portfolios, and in particular to bond assets. Finally, a further factor facilitating the successful deployment of this grid will be the availability of uniform data, something that will be made possible by CSRD non-financial reporting, but also by the provision of specific indicators by our data provider MSCI ESG Research, whose recent work focuses on key themes such as the governance of climate issues.

Our integration of biodiversity objectives

“Acting for the climate means preserving biodiversity: safeguarding biodiversity and mitigating climate change are two issues that are fundamentally linked.”

08

Our guiding principles on biodiversity

Biodiversity is inevitably affected by climate change and its consequences (drought, melting ice, rising sea levels, etc.), which disrupt increasingly precarious balances and harm all species, including humans. On the other hand, the damage caused to ecosystems (deforestation, overfishing, river pollution, etc.) has a significant impact on climate regulation.

We want to be in a position to have the best possible understanding of this issue, to raise awareness among economic entities about their impacts, and to contribute to the emergence and dissemination of best practices, or even to work towards regulatory changes. We have also entered into a partnership with Carbon4 Finance and CDC Biodiversité, two reference organisations on environmental issues, in order to measure the impact of our investments while seeking to identify the main causes of them.

To this end, we want to define the most relevant methodology and indicators, so as to enable us to take account of the risks and opportunities associated with them and, *ultimately*, to help direct financial flows towards the entities providing concrete solutions.

Current resources and tools

- Taking biodiversity considerations into account, via MSCI ESG Research environmental analysis and rating. These issues are considered material for the 5 GICS macro-sectors covered (energy, materials, utilities, industry and basic consumption).
- The principal adverse impacts in terms of Integrating the biodiversity footprint of Carbon4 Finance and CDC Biodiversité into the internal rating system, a management tool for equities

Indicators and alignment measures currently under consideration

- Intensity (expressed as MSA.m2 / kEUR invested) and its temporal and spatial distribution, helping assess transition risks
- Distribution according to 4 of the 5 IPBES pressures – invasive species are not covered at this stage by the BIA-GBS methodology, helping achieve a better understanding of transition risks
- Dependency score, revealing the level of associated physical risk

As with the temperature calculations for our consolidated portfolio, we turned to Carbon4 Finance, and in particular to their Biodiversity Impact Analytics, or 'BIA' model, to carry out this part. The BIA methodology is based on the Global Biodiversity Score, or '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.

Results of indicators and metrics considered

Intensity (MSA.m2/ kEUR invested)

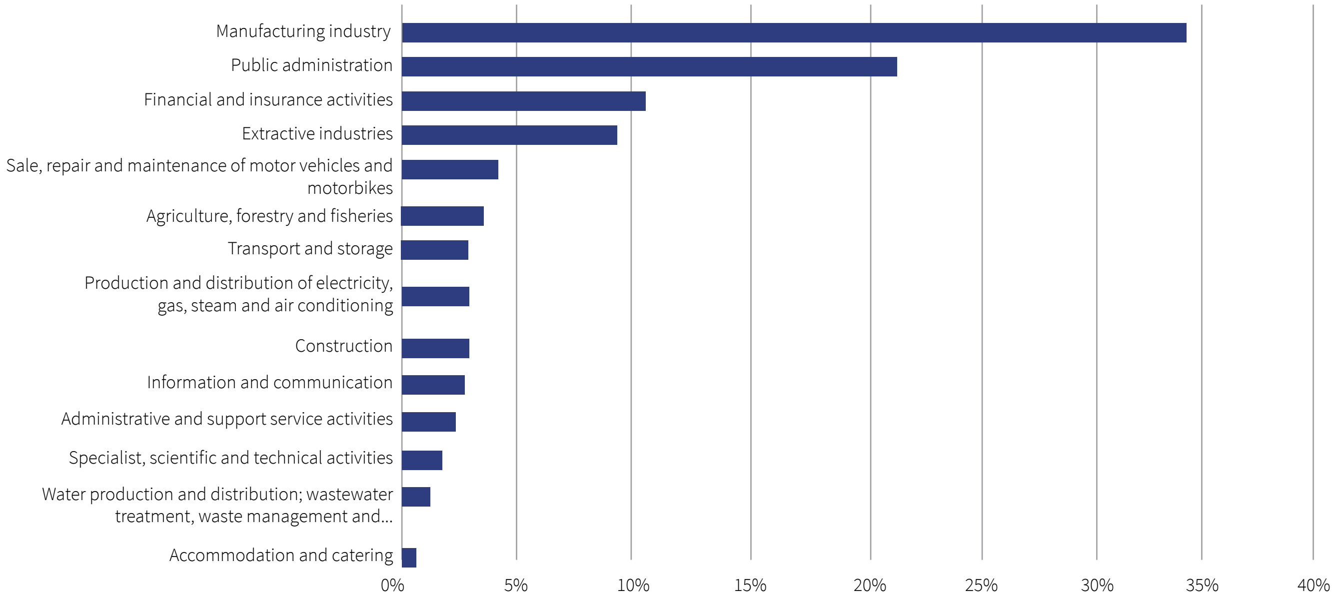
MSA.m² provides information on soil artificialisation. A 100% MSA is equivalent to a completely preserved area (virgin forest, for example). An impact of 1 MSA.km² is equivalent to the development of 1 km² of undisturbed natural space. **The higher the MSA.km2 of a portfolio, the greater its negative impact on biodiversity.**

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

	Direct investments – Rothschild & Co Asset Management	Euro Stoxx	MSCI World	IHS Markit iBoxx € Corporate	ICE BofA Euro High Yield
Terrestrial Static	96 (+9)	72	70	72	47
Terrestrial Dynamic	3 (-)	3	3	3	3
Aquatic Static	6 (-)	5	5	5	3
Aquatic Dynamic	0.1 (-)	0.1	0.1	0.1	0.1

Source: Carbon4 Finance, 29/12/2023
In brackets: change compared with the figures at the end of financial year 2022.

Breakdown of our contributions to the MSA by NACE sector



Source: Carbon4 Finance, 29/12/2023.

The sectors that contribute most to the biodiversity footprint of our portfolios are the manufacturing industry, public administration and government bonds (mainly French and German ones), the financial sector and the mineral, metal and energy extraction industries. They account for more than three quarters of our total biodiversity footprint. Our transition positioning involves greater investment, compared to the benchmarks applied, in certain activities which have a significant historical impact on biodiversity .

The moderate deterioration in the biodiversity footprint of our investments is mainly due to:

- The increase in the weight of bond and money market portfolios, and therefore of the banking sector, in our total assets under management
- The purchase of government bonds, mainly French and German ones, in order to reduce market risk in the diversified R-co Valor portfolio, which represents 14% of our assets. Note that government bonds are not represented in the market indices we have chosen for comparison.

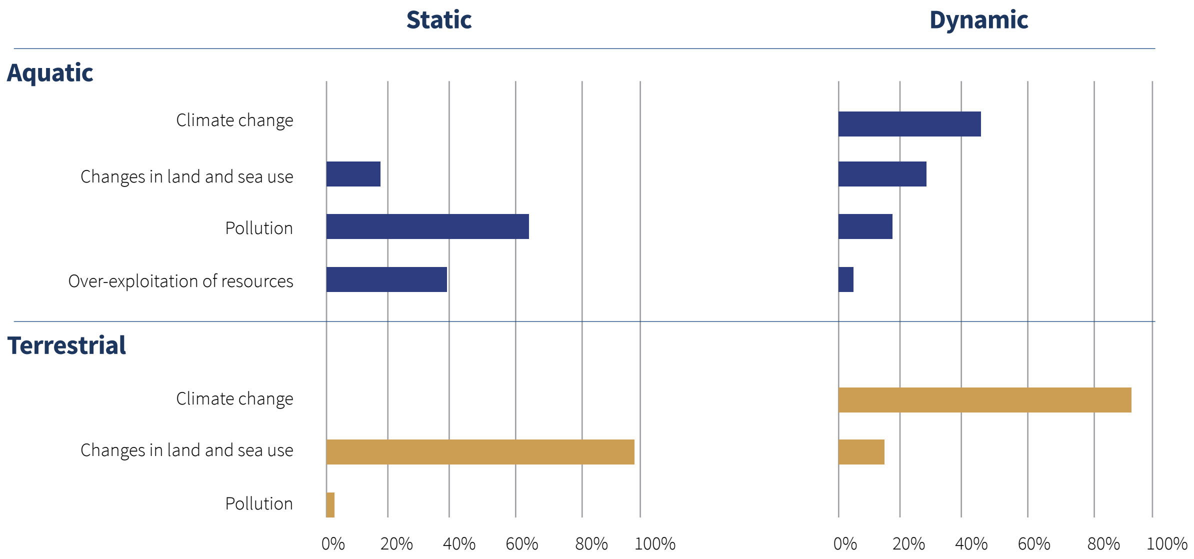
Breakdown by IPBES pressure of impacts financed by the consolidated portfolio

The Intergovernmental Panel on Biodiversity and Ecosystem Services, or IPBES, has identified **five main pressures that threaten biodiversity**:

- Changes in land and sea use: Development of natural spaces, a major cause of habitat destruction and ecosystem fragmentation
- Over-exploitation of resources, both on land and at sea
- Climate change
- Pollution, which affects every aspect of the environment
- Species which disrupt certain local balances – this pressure is not covered by the Carbon4 Finance and CDC Biodiversité methodology.

The graphs below show a detailed breakdown of biodiversity impacts, divided into static and dynamic categories and also terrestrial and aquatic (freshwater only) domains.

The static terrestrial biodiversity footprint of our direct investments, i.e. historical ones and not prospective ones, almost entirely reflects changes in land and sea use. From a dynamic point of view, our biodiversity footprint is having a greater impact on the effects of climate change.



Source: Carbon4 Finance, 29/12/2023.

Dependency score by scope

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

Rothschild & Co Asset Management's direct investment dependency score for scope 1 is 10% and for scope 3 is 11%, in line with market indices. These scores did not change over the course of the year.

	Scope 1	Scope 3 - Upstream
Average dependency score		
Direct investments – Rothschild & Co Asset Management	**10% (-)**	**11% (-)**
R-co Conviction Credit 12M	7%	9%
RMM Short Term	9%	10%
Dedicated bond funds	8%	9%
RMM Trésorerie	6%	9%
R-Co Conviction Credit Euro	7%	9%
R-co Valor	11%	12%
R-co Conviction Equity Value Euro	12%	12%
R-co Target 2028 IG	8%	9%
Euro Stoxx	13%	12%
MSCI World	11%	11%
IHS Markit iBoxx € Corporates	10%	11%
ICE BofA Euro High Yield	9%	11%

Source: Carbon4 Finance, Rothschild & Co Asset Management, 29/12/2023.
In brackets: change compared with the figures at the end of financial year 2022.

Note on methodology:

The BIA-GBS methodology developed by Carbon4 Finance and CDC Biodiversité has certain limitations. Based on revenue, the calculation of the impact on ecosystems does not take into account the location 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 made using Carbon4 and CDC Biodiversité's own methodology (no market methodology exists as of yet).

Calculated using sector-specific ratios, these biodiversity footprints cannot be compared between companies or within the same sector. The BIA-GBS indicators should therefore be used for trend analyses. It should be noted that the methodology does not make it possible for invasive species or salt water to be covered at this stage.

For the 2023 financial year, we decided to stop using the 'biodiversity alignment score' calculated by Carbon4 Finance, due to the lack of data about companies' biodiversity objectives and trajectories, which prevented us from making robust projections for the time being.

Of our total assets under management, €19.2 billion are covered by the BIA-GBS model, representing almost 65% of assets under management. The 35% that is not covered includes the external investment funds underlying our multi-management activity, derivatives and cash, which account for 28%; and also some unhedged equities and bonds, which account for 7% of the management company's total assets.

Sustainability risk associated with biodiversity loss

The tools and methodologies available to investors for assessing the impact on biodiversity and the financial risks of their investments are at a less advanced stage than the ones for climate change. There is no *Value at Risk* for biodiversity and there is no consensus at this stage regarding the methodologies for calculating dependency scores.

As part of the implementation of **our risk mapping**, we are attempting to measure the sustainability risk of our investments in relation to the diversity of living species and the ecosystems in which they live. We have therefore identified two sub-risks with two associated indicators:

- **Biodiversity loss:** destruction of natural habitats, measured by the proportion of a company's operations in sectors with a high potential for disturbing land and marine areas**.**
- **Impact on ecosystems:** risks associated with the potential impact of an activity on biodiversity and the degree of degradation of ecosystems in its areas of activity.

The risk mapping results show that our direct investments are more exposed to the risk of biodiversity loss than the market indices. These results are in line with those observed for the biodiversity footprint, demonstrating a certain consistency of approach.

Risks of erosion of biodiversity	Biodiversity – Loss of biodiversity	Biodiversity – Impact on ecosystems
Direct investments – Rothschild & Co Asset Management	**2.8%**	**2.4%**
Euro Stoxx	1.6%	1.3%
MSCI World	2.0%	1.4%
IHS Markit iBoxx € Corporates	1.2%	0.2%

Source: Carbon4 Finance, Rothschild & Co Asset Management, 29/12/2023.

Focus on our engagement regarding biodiversity

As part of our dialogue with the companies in which we invest, we discuss issues relating to biodiversity, whenever these issues are material for the company or the sector to which it belongs. Prior to now, our questions focused on identifying practices in the broadest sense. Henceforward, we will try to be more specific in the sub-topics covered when they are deemed relevant to the company and its activities.

Here are the topics that were most often discussed during these exchanges:

- Inventory of the company's practices: calculation of its biodiversity footprint, measurement of its impacts and methodology used
- Measures taken to reduce its impact on biodiversity
- Traceability of resources used and responsible sourcing initiatives
- Impact of new regulations: the fight against deforestation, the European Taxonomy and eligibility and alignment measures for the last four 'Taxo4' objectives, CSRD non-financial reporting and materiality analysis, etc.
- Waste management, recycling and circular economy practices

Limits

A local scale and a long time horizon

Biodiversity is unique in that it occurs on a local scale and over a long time horizon. For example, the consumption of a specified volume of water on a production site will not have the same impact everywhere: it depends on the region's exposure to water stress and drought events.
It therefore seems difficult to have a single perspective and a single indicator for measuring and steering impacts on biodiversity, unlike the climate, which we associate with greenhouse gas emissions. Added to this are the problems of data completeness, availability and updating. For example, impacts on the oceans are not covered by our data provider Carbon4 Finance and CDC Biodiversité, even though we now recognise the major role that salt water plays in maintaining ecosystems and the services they provide to the real economy.

Reporting tools rather than analysis tools

The complexity of biodiversity issues is reflected in the complexity of the methodologies used to model them. Biodiversity covers a wide range of issues and the way in which it interacts with business models is diverse. Analysing each of these issues for each of a company's activities or production sites is a complicated exercise. The metrics set out in this section therefore represent reporting tools, rather than real tools for analysing companies and our portfolios.

Engagement

Identifying the material elements on which we can engage with a company, in order to guide it towards relevant areas for improvement, is currently done on a case-by-case approach. Our discussions on biodiversity issues are targeted: there are a few companies (around ten in 2023) for which we consider the exposure of their business model to biodiversity to be significant. We consider that it is still premature to formulate prescriptive areas for improvement and have chosen to encourage adoption and mobilisation within emerging frameworks: CSRD, Taxo 4, TNFD or SBTN.

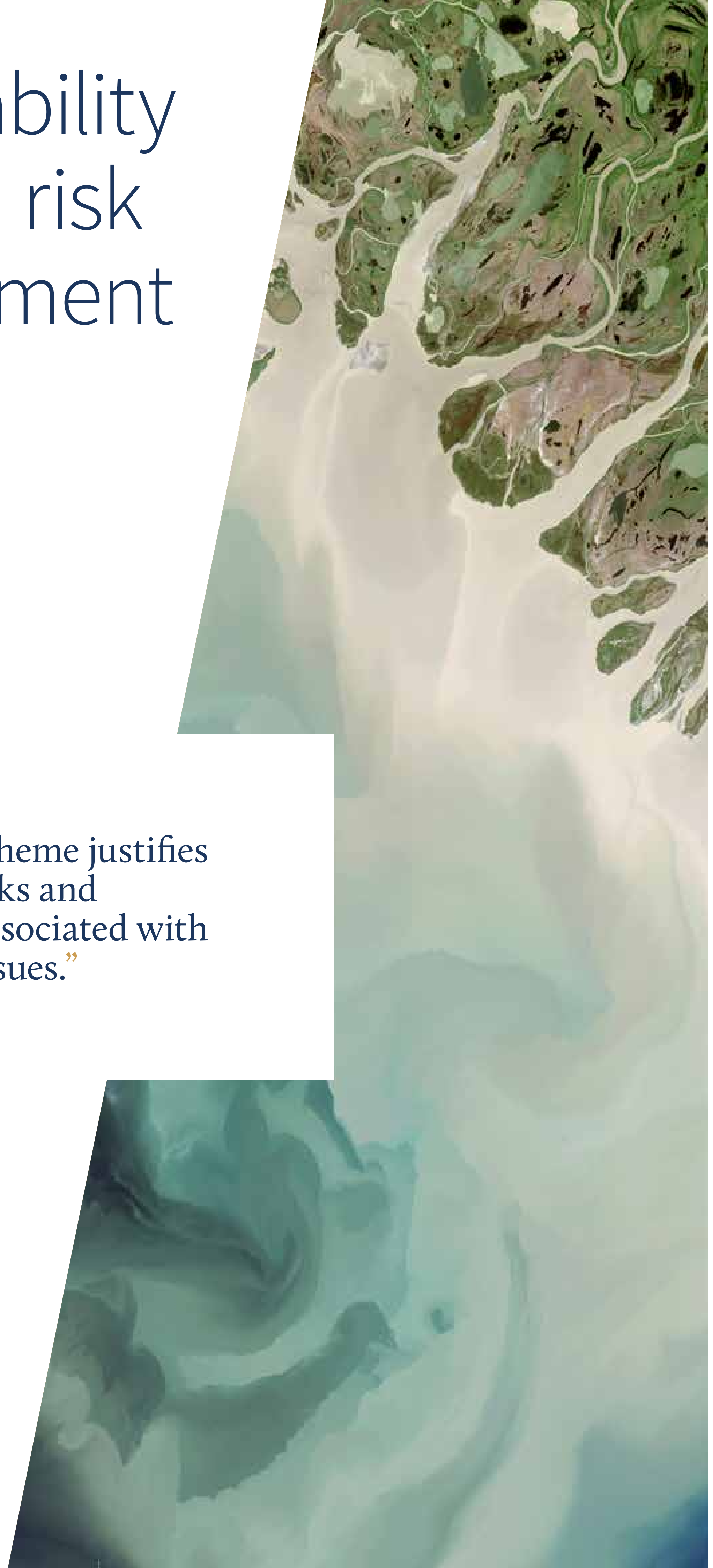
The idea of putting an alignment strategy, objectives and trajectories in place does not seem feasible, robust or credible at this stage. Although the reference frameworks continue to be developed, we consider that the data available to us is not yet sufficiently mature for us to be able to compare issuers and determine how their biodiversity impacts will evolve moving forwards. At the same time, biodiversity solutions are still emerging in the business models of the listed companies that make up our investment universe.

Ambitions

After the close of the 2023 financial year, we joined and took over the chairmanship of the AFG working group on biodiversity. **Good practice is beginning to emerge in the financial sector in this area**, and we will draw on this in our future work. A number of additional levers will be studied and could be considered, such as:

- **The introduction of sectoral restrictions:** the current bans implemented as part of our common exclusion base are helping to reduce and manage certain impacts and pressures (thermal coal, tobacco, controversies, etc.). That being said, they allow biodiversity to be addressed as a second derivative, and have been put in place, above all, in order to respond to climate-related issues or social considerations. In the future, we could consider an additional exclusion that is more directly linked to biodiversity issues via a restriction on certain resources or products that have a high impact.
- **Strengthening the engagement strategy:** identification of a priority list of companies with which we could deepen our engagement on this issue, and more specifically on their negative externalities. As far as investor coalitions are concerned, we could also consider joining a market initiative.
- **Deeper analysis of risks and opportunities:** in addition to the sustainability risk mapping in place, we could consider the use of *open source* databases such as CDP and its indicators relating to water and forests. Thanks to the entry into force of the CSRD non-financial reporting standards and the double materiality analysis that will have to be carried out, as well as the last four objectives of the European Taxonomy – 'Taxo 4' – we anticipate better access to standardised data reported directly by companies.
- **Emergence of the Science Based Targets Network for Nature (SBTN):** on the same principle as SBTi for climate, SBTN recognises the need to develop methods and guidance on the setting of scientific targets for biodiversity, water, land and oceans. It encourages businesses to reduce five major pressures on biodiversity through objectives that are based on avoidance, reduction, restoration and regeneration. The first 'pilot' applications have been submitted, and we will be closely monitoring feedback from these companies and from the initiative, in terms of the framework and methodologies used.

Sustainability issues in risk management



> “The transition theme justifies assessing the risks and opportunities associated with sustainability issues.”

09

Sustainability risk policy

Definition and identification of sustainability risks

The SFDR introduces the concept of 'double materiality', characterised by two distinct but complementary types of risk:

- **Sustainability risks** : these arise when an environmental, social or governance event or situation occurs which, if it occurs, could have a significant negative impact on the value of an investment.
- **Principal adverse impacts** in terms of sustainability (PAI): these correspond to the negative impacts of investment decisions from an environmental, social or good governance point of view.

Sustainability risks include:

- **The physical risks associated with 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
- **The risks of controversy**

These risks are taken into account in our investment decisions. They form an integral part of the risk maps drawn up by Risk Management and Compliance, and of the associated controls carried out by these two teams.

Since 2022, Risk Management has continued its efforts to integrate sustainability risks into its standard procedures. To cover the major sustainability risks to which our financial products are exposed, indicators have been identified, in order to measure and monitor exposure to each family of sustainability risks. The choice of sustainability indicators was initiated by Risk Management in collaboration with the Sustainable Investment and Compliance teams.

Control framework and risk monitoring tool

These indicators are monitored on a granular basis by Risk Management, the team responsible for integrating these indicators into the operational systems and calculating them at the portfolio level. It is responsible for informing managers about any particular exposure to a risk.

The control framework varies according to the indicators, but is common to all the financial products. It may include:

- Monitoring changes in indicators over time
- A maximum threshold not to be reached in terms of financial income
- A warning threshold at issuer level

The warning thresholds are deliberately the same regardless of the issuer's geographical area or business sector. They were determined within a preventive framework in order to target the limits of companies' non-alignment with our sustainable approach and to guard against potential financial risks that could impact upon the value of investments. The data used to map sustainability risks are updated every six months. These indicators are presented and discussed in a dedicated part of the Risk Committee's meetings.

Against a backdrop of change and continuous improvement in sustainable finance, the control framework is reviewed annually.

Risk Management has developed a tool for monitoring sustainability risks. This tool is a means of exchange between Risk Management and the Management teams. It presents the results of the indicators and shows which financial products are vulnerable to one of the risk families, while identifying the issuers that are contributing to this result. The tool can also be used to track changes in these indicators over time and to identify trends.

Issuers with the weakest and/or worst sustainable performance are subject to an in-depth and rigorous analysis by the analysts of the various asset management departments. This monitoring helps raise awareness of sustainability risks among all our portfolio managers and analysts.

Sustainability risk mapping

Domain	Risk family	Definition	Risks identified
Environment	Physical climate risk	Risk associated with physical impacts, consequences of climate change	Acute Chronic
	Climate transition risk	Risk associated with new economic, political, technological or market conditions	Political and legal Technological Market Reputation
	Biodiversity	Risk associated with the diversity of living species and the ecosystems in which they live	Loss of biodiversity Impact on resource ecosystems
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 remuneration.	Remuneration Diversity
	Labour & and human capital management	Risk of employees' knowledge and skills being misused and human rights being violated	Working conditions Regulations
	Health and safety at work	Risk of workers not being protected against accidents at work and illnesses	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 who accepts benefits of any kind in order to perform an act within the scope of their duties, and with litigation.	Unethical behaviour
	Transparency of external monitoring and documents	Risk associated with regular inspections of companies and financial/non-financial documents reflecting their actual status	Regulations

Our main source for these indicators is MSCI ESG Research. They are specified in our Sustainability Risk Policy, published on our website.

Each of these risks and associated indicators is treated without any hierarchy in terms of probability of occurrence or potential impact on the value of the investment. In addition, they are common to all asset classes, regardless of the SFDR classification of the products and the level of ESG integration in their strategy.

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

Our direct investments are exposed to three main types of risk

Risk family	Social – Labour & human capital management	Environment – Climate transition risk	Social – Diversity & Inclusion
Direct investments – Rothschild & Co Asset Management	37.8%	14.0%	12.4%
Euro Stoxx	38.4%	25.5%	12.7%
MSCI World	37.2%	18.2%	25.7%
IHS Markit iBoxx € Corporates	39.4%	18.9%	11.7%

Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023

This is the first year in which we have applied sustainability risk mapping to all our direct investments. The table above shows the three risk families considered to be the most sensitive for our investments, i.e. the ones for which the proportion of issuers triggering the alert thresholds defined for each of the risks identified is the highest.

For comparison purposes, we have chosen to publish the levels of three indices. Two of them are representative of the European equity market (Euro Stoxx) and the international equity market (MSCI World), and one is representative of the euro corporate bond market (IHS Markit iBoxx € Corporates). However, we have not published the results of the index that represents the euro-denominated High Yield bond market (ICE BofA Euro High Yield), because it is not sufficiently covered, and this leads to its results being biased.

Below is our analysis of these **three main risk families** – for which we have a lower sensitivity than the three comparative indices.

1. Social risk 'Labour and human capital management'

This risk has the highest percentage of issuers that are considered sensitive. This result is largely due to compliance with labour regulations by the investee companies and the controversies they face/have faced. We attach great importance to monitoring controversies: that is why the detection threshold for this indicator is strict. As a result, the figures for our assets under management are high, as are the comparative indices.

2. Environmental risk 'Climate transition risk'

This concerns 14% of assets under management, invested in issuers whose current business models are particularly exposed to transitional risks relating to political, technological, market or reputational hazards. This result is lower than the one observed for the comparative indices, which have higher carbon intensities, one of the indicators chosen to measure transition risk.

3. Social risk 'Diversity & Inclusion'

This is associated with practices relating to equal rights and opportunities in terms of access to employment, pay and diversity. This risk is measured in particular through the existence of controversies linked to discrimination and the lack of diversity in the workforce, and through the history of violations by investee companies. In the same way as for Labour and Human Capital Management risk, the alert threshold set for controversies is strict, so as to strengthen the procedures for identifying and analysing controversies. However, our direct investment results are in line with European market indices, and well below those of the global index.

Focus on climate risks

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

As a result of climate disruption, the frequency, intensity and duration of climatic hazards are constantly increasing and have a direct impact on companies' economic and financial performance.
To incorporate these risks into our investment strategies, we use an indicator of the potential loss of a company's market value in a given extreme climate scenario: the *Climate Value at Risk*.
This indicator forms part of the risk map. It is therefore associated with an internal limit that serves as an alert threshold.

Climate VaR is an indicator developed by MSCI ESG Research that measures the impact of climate scenarios on the value of investment portfolios, in accordance with the regulatory requirements of the Climate and Energy Law. If the scenario envisaged were to occur, Climate VaR estimates the financial impact, expressed as a % of a company's valuation, for each of the companies covered by the model. Climate VaR may be calculated at portfolio level, by aggregating the financial impacts on the valuations of each of the companies in the allocation.

These figures should be interpreted with caution, given the major climatic and financial issues modelled here. These new families of risks are highly complex because of the scale and multiplicity of the phenomena involved, and cannot therefore be approached using a simple model. No methodological consensus has been identified as of yet. The approach developed by MSCI ESG Research, which is the one we use, is still relatively recent and is constantly evolving.

Funds / Scope	Climate VaR 2023	Climate VaR 2022	2023 coverage
Assets under management > €500 million			
R-co Valor	6.3%	5.7%	79%
RMM Trésorerie	6.3%	12.0%(1)	68%
R-co Conviction Credit Euro	6.6%	10.7%	55%
R-co Target 2028 IG	6.8%	-	63%
RMM Short Term	8.1%	12.0%	68%
Dedicated bond funds	7.0%	8.8%	68%
R-co Conviction Equity Value Euro	9.8%	10.8%	99%
R-co Conviction Credit 12M Euro	5.0%	9.0%	70%
Direct investment – Rothschild & Co Asset Management	**7.0%**	**8.6%**	**9.7%**
Euro Stoxx	6.3%	-	99%
MSCI World	5.1%	6.0%	99%
IHS Markit iBoxx € Corporates	7.0%	-	81%
ICE BofA Euro High Yield	7.2%	-	55%

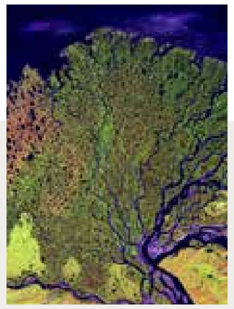
Source: MSCI ESG Research, Rothschild & Co Asset Management, 29/12/2023
(1) Climate VaR recalculated due to an error in the Article 29 report for the 2022 financial year.

For comparison purposes, we have chosen to publish the levels of four indices, including two that are representative of the euro equity market (Euro Stoxx) and the international equity market (MSCI World), and two that are representative of the euro-denominated corporate bond market (IHS Markit iBoxx € Corporates) and the euro-denominated High Yield bond market (ICE BofA Euro High Yield). The levels of potential loss estimated by Climate VaR for these indices are comparable to the ones for our investments.

On the whole, if the scenario envisaged were to occur, the financial impact on our assets under management would be -7%, compared with -8.6% in 2022. We have seen a significant positive trend in the results of the Climate VaR on our assets under management and on funds with assets under management in excess of €500 million. According to this metric and its modelling, this decline is a sign that our assets and funds are less sensitive to climate risks.

This trend is more noticeable for bond funds, particularly RMM Court terme and RMM Trésorerie, due to their high exposure to the banking and insurance sector, which itself saw a significant fall in its Climate VaR over the course of the year. For funds invested in equities, such as R-co Valor and R-co Conviction Equity Value Euro, the change is more moderate. This was primarily due to portfolio rotations during the financial year.

In short, the improvement in results on our assets under management can be explained by the growing proportion of bond assets under management in our total assets under management, which at the end of the financial year stood at almost 70%, compared with 60% at the end of 2022.
The transitional climate risks and the risks relating to biodiversity are expanded upon in the section of this report dedicated to them.



Ambitions

The three areas for improvement that we identified in 2022 have all been achieved. Given the success of integrating sustainability risks into our procedures, coupled with our institutional clients' growing interest of in this subject, we intend to continue our efforts in 2024.

- **Independent portfolio monitoring:** Every six months, Risk Management communicates the results of the risk mapping of our portfolios to the Risk Committee, which includes the management teams. What's more, these results are available and accessible via a monitoring tool developed in-house. In 2024, sustainability risk mapping for multi-management activities will be implemented through the integration of indicators relating to investment funds.

- **Identification of the issuers most exposed to risk:** half-yearly discussions are held with all the analyst teams, leading to direct action by analysts and managers. The issuers with the most negative sustainability performance are subject to an in-depth analysis that takes market dynamics, sector trends and strategic developments into account. In 2023, we carried out this analysis for 30 issuers. These discussions with analysts and management teams can be enriched by the trajectory that risk indicators and issuers have taken since their implementation.

- **Adjusting the chosen mapping and indicators in line with developments:**
Constant developments in ESG – both regulatory and macroeconomic – are forcing us to reassess the indicators, thresholds and alerts in place. The analysis and control framework has been reassessed for the 2023 financial year, including a review of certain indicators. In 2024, we will study the sectoral and/or geographical bias in the alert thresholds, and whether it would make sense to incorporate sectoral and geographical specificities into them.

Through our sustainability risk mapping, we seek to deepen our understanding and management of sustainability risks. The aim of these initial exercises is, firstly, to enhance our knowledge of risks in order to adapt our internal procedures, and, secondly, to deepen our risk management and analysis, with the aim of reducing the sensitivity of our assets under management.

Note on methodology:

The Climate VaR model developed by MSCI ESG Research:

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

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. Indirect investments (mutual funds) are not covered in this exercise.

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.

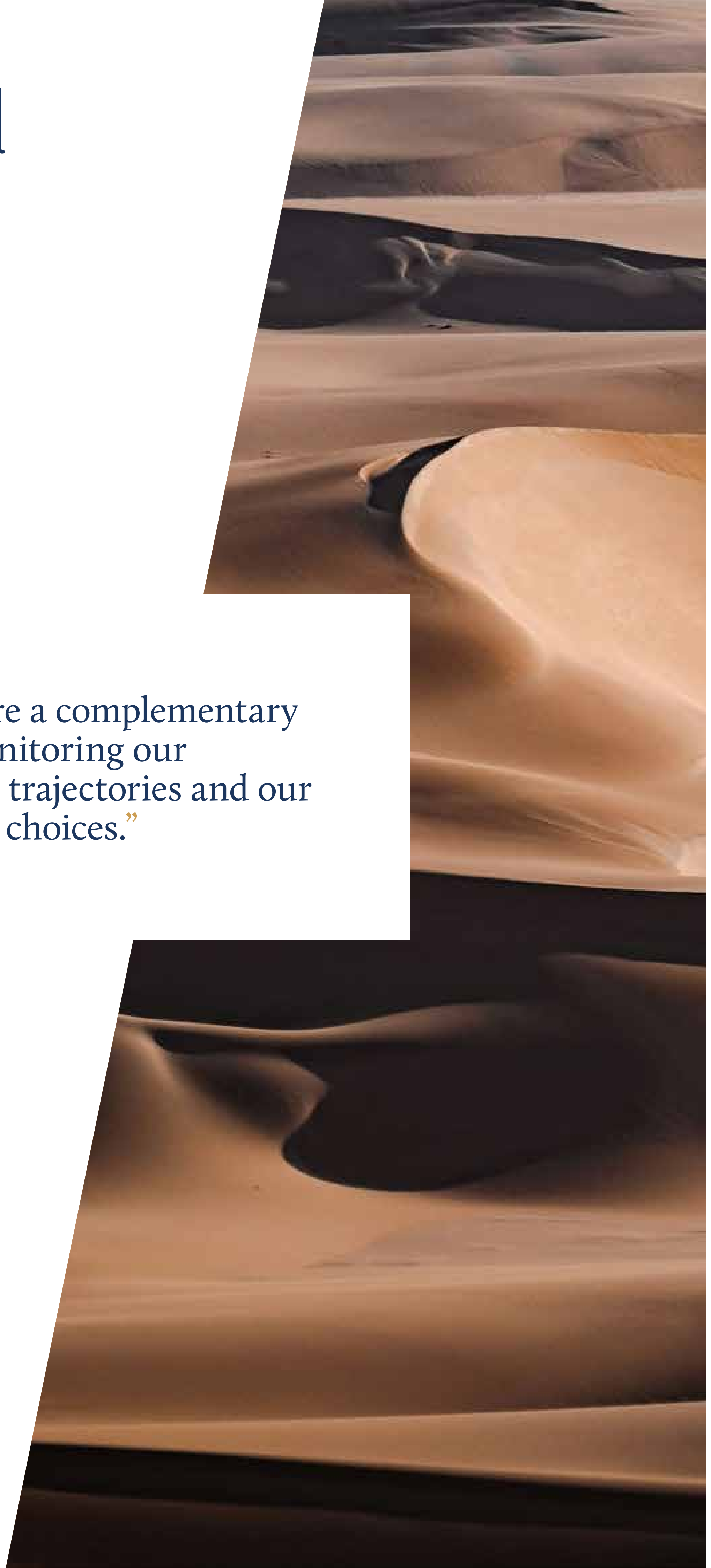
Let's take the example of the extreme drought scenario: the model incorporates the characteristics associated with an extreme drought, such as heat thresholds, and the consequences entailed, such as the costs of lost productivity, limited mobility or the postponed sales and/or customer appointments. These consequences have a financial impact on the company's market value, depending on its activities and sector.

Our provider also gives us access to an aggregate scenario corresponding to the sum of the results of the previous 10 indicators.

The selection of the Climate VaR indicator is based on a new evaluation methodology which is considered in the sustainability risk mapping, presented at the beginning of this section. We have chosen to use the Climate Var Aggregated indicator, the results of which are mainly influenced by two of the 10 possible scenarios: extreme heat and coastal flooding.

In our report on the 2022 financial year, we presented the results of the CRIS risk model developed by Carbon4 Finance. We have not repeated that exercise this year.

Principal Adverse Impacts



“The PAIs are a complementary tool for monitoring our sustainable trajectories and our investment choices.”

10

PAI report (SFDR)

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

The principal adverse impacts (PAIs) defined by the SFDR correspond to the adverse impact of an investment decision on an environmental, social or governance (ESG) issue. For us, they constitute an additional tool for monitoring our sustainable trajectories and our investment choices.

We believe that as investors, through pragmatic exclusion mechanisms, material analysis of sustainability factors and negative impacts, and structured engagement, we can raise companies' awareness of the negative externalities and collateral damage associated with their production model and encourage them to adopt investment plans that will accelerate and give credibility to their sustainable positioning.

We have identified the principal adverse impacts (PAIs) for the sustainability factors on which we seek to focus our efforts and resources as a matter of priority in order to deploy our responsible investment approach:

Private issuers	**Climate change** Greenhouse gas emissions and intensity, scopes 1 and 2 (PAI 1 & 3) Involvement in fossil fuels (PAI 4) Exposure to issuers not committed to achieving the Paris Agreement (optional climate PAI 4) **Human rights, business ethics and respect for human dignity**Violation of fundamental Violation of fundamental ethical standards (PAI 10) Gender diversity in governance bodies (PAI 13) Involvement in controversial weapons (PAI 14) Exposure to issuers with weak anti-corruption processes (optional PAI)
Sovereign issuers	**Human rights, business ethics and respect for human dignity** Exposure to countries that violate human rights and are subject to human rights sanctions (PAI 16)

Our Adverse Impact Policy is available on our website.

To take account of mandatory PAIs and define our optional and priority PAIs, we used the methodology and data of our external service provider, MSCI ESG Research.

Comments and limitations

The principal adverse impacts cover a wide range of indicators which, at this stage, vary in terms of maturity and coverage.

While most of the mandatory PAIs contain information that is relatively standardised and available to most issuers, some indicators, such as PAI 8 (Discharges into water), PAI 9 (Ratio of hazardous waste and radioactive waste) 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 targets for our investments.

	Factors to be taken into account	Avenues for reflection and improvement
Climate change	• Exclusion for the thermal coal sector and lowering of thresholds • Introduction of a ban on tobacco, a sector that has a major impact on the environment • Integration of climate factors into the selection process: rating of the environmental pillar, analysis of the environmental and climate transition profile, controversies and potential for alignment with the Paris Agreement - Priority engagement actions to the climate transition theme • Setting our targets with the Net Zero Asset Managers initiative: 75% investment in companies whose climate objectives have been validated by SBTi by 2030 - these objectives cover our direct management open-ended funds • Investment principles relating to fossil fuels • Monitoring the carbon and transition profile of portfolios via monthly ESG reporting • Annual reporting of all mandatory PAIs for all SFDR Article 8 or 9 products • Support for the Polar POD expedition and 1% for the Planet	• Compliance with the international timetable for phasing out thermal coal • Reducing our carbon intensity and setting our investments on a Net Zero trajectory • Increase in the number of companies aligned with the Paris Agreement in our portfolios • Increasing integration of reported taxonomic data • Participation in local transition working groups • Deployment of a proprietary analysis grid to judge the robustness and credibility of an issuer's transition plan and its implementation • Decreasing exposure to fossil fuels via achievement of the objectives targeted by the selection of issuers in the portfolio (methane reduction, green capex plan, etc.) and strengthening of our divestment procedures.
Human rights, business ethics and respect for human dignity	• Exclusions relating to controversial weapons, international sanctions, non-cooperative countries for tax purposes and the UN Global Compact (UNGC) • Extending our common exclusion base to all controversial weapons, for direct management • Introduction of an exclusion for the tobacco sector, a sector that has a major impact on public health • Integration of social and governance factors in the selection process: rating of the Social and Governance pillars (min 33%), analysis of the S&G profile and in particular controversies and respect for human rights, potential for alignment with international standards, etc. • Priority engagement actions to increasing the number of women in our teams and on our Board of Directors, and to signing the UN Global Compact • Monitoring of S and G ratings, percentage of women on the Board of Directors via monthly ESG reporting • Annual reporting of all mandatory PAIs for all SFDR Article 8 or 9 products • Support for the Café Joyeux initiative	• Extension of our common exclusion base on controversial weapons to multi-management products • Participation in local working groups on just transition and social taxonomy • Improving our results in terms of companies signing up to the UNGC and women's representation • Broad application of social indicators relating to inclusion and/or just transition as part of our ESG reporting

Indicators applicable to investments in companies

	Indicators for negative impact on sustainability	Measuring element	Incidence 2023[1]	Incidence 2022[1]	Coverage rate of eligible assets[2]	Coverage rate of total assets[3]	Explanation	Measures taken, measures planned and targets set for the subsequent reference period
Climate and other environmental indicators								
Greenhouse gas emissions	1. GHG emissions	GHG emissions in tonnes of CO_2 equivalent (scope 1)	**1,356,094**	1,110,964	83.0%	75.6%	The increase in absolute emissions is proportionate to the rise in our assets under management. Carbon footprint levels have fallen slightly, with a more pronounced reduction in carbon intensity. This is due to an effective reduction in absolute emissions by companies, and an increase in their revenue, something that has automatically lowered their carbon intensity. More information is available in section 7 of this report.	We are committed to supporting Net Zero by 2050. We have defined an intermediate target for 2030: that 75% of our assets under management should be invested in companies with objectives that are in line with a 1.5°C scenario, within the basket of assets held through our open-ended direct management funds. Given the stable trend observed over the course of the year, we will continue to monitor the progress of our Net Zero commitment. The introduction of our transition plan analysis grid is an essential lever for action. It allows us to monitor the objectives of the companies in which we invest, and their transition trajectory too. Our ambition is to extend the scope of this in-depth analysis within our portfolios, and in particular to bond assets. We will continue our engagement efforts on climate issues and on the importance we attach to scientific reference frameworks as investors. More information is available in section 7 of this report.
		GHG emissions in tonnes of CO_2 equivalent (scope 2)	**251,754**	212,615	83.0%	75.6%		
		GHG emissions in tonnes of CO_2 equivalent (scope 3)	**9,090,146**	6,695,425	82.8%	75.4%		
		GHG emissions in tonnes of CO_2 equivalent (scopes 1/2/3)	**10,696,959**	8,019,004	82.8%	75.4%		
	2. Carbon footprint	Carbon footprint in tonnes of CO_2 equivalent per million euros invested (scope 1)	**66**	69	83.0%	75.6%		
		Carbon footprint in tonnes of CO_2 equivalent per million euros invested (scope 2)	**12**	12	83.0%	75.6%		
		Carbon footprint in tonnes of CO_2 equivalent per million euros invested (scope 3)	**448**	418	82.8%	75.4%		
		Carbon footprint in tonnes of CO_2 equivalent per million euros invested (scopes 1/2/3)	**527**	512	82.8%	75.4%		
	3. GHG intensity of investee companies	GHG intensity of investee companies (scope 1)	**75**	101	90.0%	81.9%		
		GHG intensity of investee companies (scope 2)	**21**	26	90.0%	81.9%		
		GHG intensity of investee companies (scope 3)	**603**	661	90.0%	81.9%		
		GHG intensity of investee companies (scope 1/2/3)	**699**	816	89.9%	81.9%		
	4. Exposure to companies active in the fossil fuel sector	Share of investment in companies active in the fossil fuel sector (%)	**9.2%**	9.4%	87.6%	79.4%	Investments in companies in the fossil fuel sector fell over the course of the year, in thermal coal, oil and gas. The decline was more significant in the final quarter. More information is available in section 6 of this report.	Our grid for analysing transition plans enables us to select the issuers best placed to make the transition. It takes into account monitoring of their decarbonisation trajectory, the evolution of their product and service mix, and the transformation of their business model in their investments and financial results. In 2023, we saw management constraints harden for some frameworks. For example, companies developing new hydrocarbon exploration or extraction projects are excluded from our Towards Sustainability labelled funds, and will be excluded from 2025 onwards for our SRI labelled funds. This trend is also emerging among our institutional clients, whose climate roadmaps we are helping to implement. More information is available in section 6 of this report.
	5. Share of consumption and production of non-renewable energy	Share of energy consumption and production of investee companies from non-renewable energy sources compared to that from renewable energy sources, expressed as a percentage of total energy sources (as a %)	**63.7%**	76.1%	72.3%	65.7%	Downward trend in results for direct investments and even more so on our funds of funds.	No measures taken for the subsequent reference period.
	6. Energy consumption intensity by sector with high climate impact	Energy consumption in GWh per million euros of revenue of investee companies, by sector with high climate impact	**1.05**	1.15	69.6%	63.1%	Slight decline over the course of the year. The largest contributors are still the manufacturing industry and the production/distribution of electricity, gas, steam and air conditioning.	No measures taken for the subsequent reference period.
Biodiversity	7. Activities with a negative impact on biodiversity-sensitive areas	Share of investments made in companies with sites/establishments located in or near biodiversity-sensitive areas, if the activities of these companies have a negative impact on these areas (expressed as a %)	**0.25%**	0.01%	87.6%	79.5%	Increase in income due to improved hedging of indirect investments (investment funds).	In 2024, we joined and took over the chairmanship of the AFG working group on biodiversity. Several complementary levers will be studied and could be considered in our strategy, such as: • We could consider an additional exclusion linked to biodiversity issues. • Strengthening the engagement strategy by identifying a priority list of companies. We could join a coalition of investors. • Deeper analysis of risks and opportunities: using databases such as CDP and its indicators for water and forests. With the entry into force of the CSRD and Taxo 4 standards, we anticipate improved access to standardised data. • Emergence of the Science Based Targets Network for Nature (SBTN) framework: we will monitor feedback from pilot companies.

(1) The principal adverse impacts are expressed as quarterly averages calculated over the course of the year. These are percentages related to the assets covered and not to total assets.
(2) The coverage rate for eligible assets shows the percentage of assets returning data out of the total number of assets that are eligible, i.e. subject to the PAI selected.
(3) The coverage rate for total assets shows the percentage of assets reporting data out of all the assets in the portfolios.

	Indicators for negative impact on sustainability	Measuring element	Incidence 2023[1]	Incidence 2022[1]	Coverage rate of eligible assets[2]	Coverage rate of total assets[3]	Explanation	Measures taken, measures planned and targets set for the subsequent reference period
Water	8. Discharge into water	Tonnes of water discharged from investee companies, per million euros invested, as a weighted average.	0.65%	27.9%	10.2%	9.3%	Revision of the calculation methodology, which altered the scale of the results.	No measures taken for the subsequent reference period.
Waste	9. Ratio of hazardous and radioactive waste	Tonnes of hazardous waste and radioactive waste produced by investee companies, per million euros invested, as a weighted average	3.05%	5.8%	41.6%	37.8%	Revision of the calculation methodology, which altered the scale of the results.	No measures taken for the subsequent reference period.
Social and HR issues	10. Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises	Share of investment in companies that have been involved in violations of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises (expressed as a %)	0.3%	0.5%	88.1%	79.9%	Decrease due to asset rotation and changes in issuer profiles. The result is direct and indirect investment.	We exclude companies that violate the 10 principles of the United Nations Global Compact. In the SFDR Article 9 and Towards Sustainability labelled funds, we also exclude companies that are in violation of the ILO Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Finally, we have put in place a procedure for identifying, analysing and monitoring controversies within our investments.
	11. Lack of compliance processes and mechanisms for monitoring compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises.	Share of investments in companies that do not have a policy for monitoring compliance with the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises, or mechanisms for handling complaints or remedying such violations (expressed as a %)	31.2%	35.7%	87.5%	79.4%	Downward trend.	No measures taken for the subsequent reference period.
	12. Unadjusted gender pay gap	Average unadjusted pay gap between men and women in investee companies (expressed as a monetary amount converted into euros)	13.0%	13.8%	39.9%	36.3%	Stable trend.	No measures taken for the subsequent reference period.
	13. Gender diversity in governance bodies	Average ratio of women to men in the governance bodies of the companies in question, as a percentage of the total membership	36.2%	41.4%	87.7%	79.6%	Stable trend over the course of the year. The variation is due to a change in the indicator used to measure this impact.	We monitor this impact via the monthly ESG reporting of our funds. Increasing the number of women on boards of directors is one of our priority engagement themes. We will incorporate this impact into the management of labelled funds. Our labelled funds invest in the same investment universes as other '*flagship*' funds and therefore help spread best practice across all the management areas.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons or biological weapons)	Share of investment in companies involved in the manufacture or sale of controversial weapons (expressed as a %)	0.02%	0.02%	87.7%	79.7%	Stable trend. This residual exposure is due to the application of our exclusion policy to our indirect investments, as we have defined a very residual threshold of 1% maximum actual exposure to companies in breach. This can only come from products whose composition is linked to indices exposed to one or more countries that are not signatories to the Oslo Convention, the Ottawa Treaty and the conventions on biological and chemical weapons.	For all our investments, we exclude controversial weapons that are prohibited by law (cluster munitions, anti-personnel mines and biological and chemical weapons). In 2024, our common exclusion framework for direct management was extended to include all controversial weapons, i.e. depleted uranium, blinding laser weapons, incendiary weapons (white phosphorus) and weapons with non-detectable fragments. This exclusion will be extended to multi-management products by the end of 2024.
Mandatory indicators applicable to investments in sovereign or supranational issuers								
Environment	15. GHG intensity	GHG intensity of investment countries in tonnes of CO_2 equivalent per million euros of GDP	219.4%	264	59.3%	14.1%	Carbon data associated with sovereign bonds held in our portfolios.	No measures taken for the subsequent reference period.
Social	16. Investment countries with violations of social standards	Number of countries of investment with violations of social standards within the meaning of international treaties and conventions, United Nations principles or, where applicable, national law (as a numerical value)	0 direct investments / 6 via funds	0 direct investments / 5 via funds	21.9%	5.5%	Stable trend.	Zero exposure, in line with our International Sanctions Exclusion Policy.
		Proportion of the total number of countries benefiting from investments with violations of social standards within the meaning of international treaties and conventions, United Nations principles or, where applicable, national law (expressed as a %)	0% in direct investment / Not available via funds	0% in direct investment / Not available via funds	21.9%	5.5%	Stable trend.	

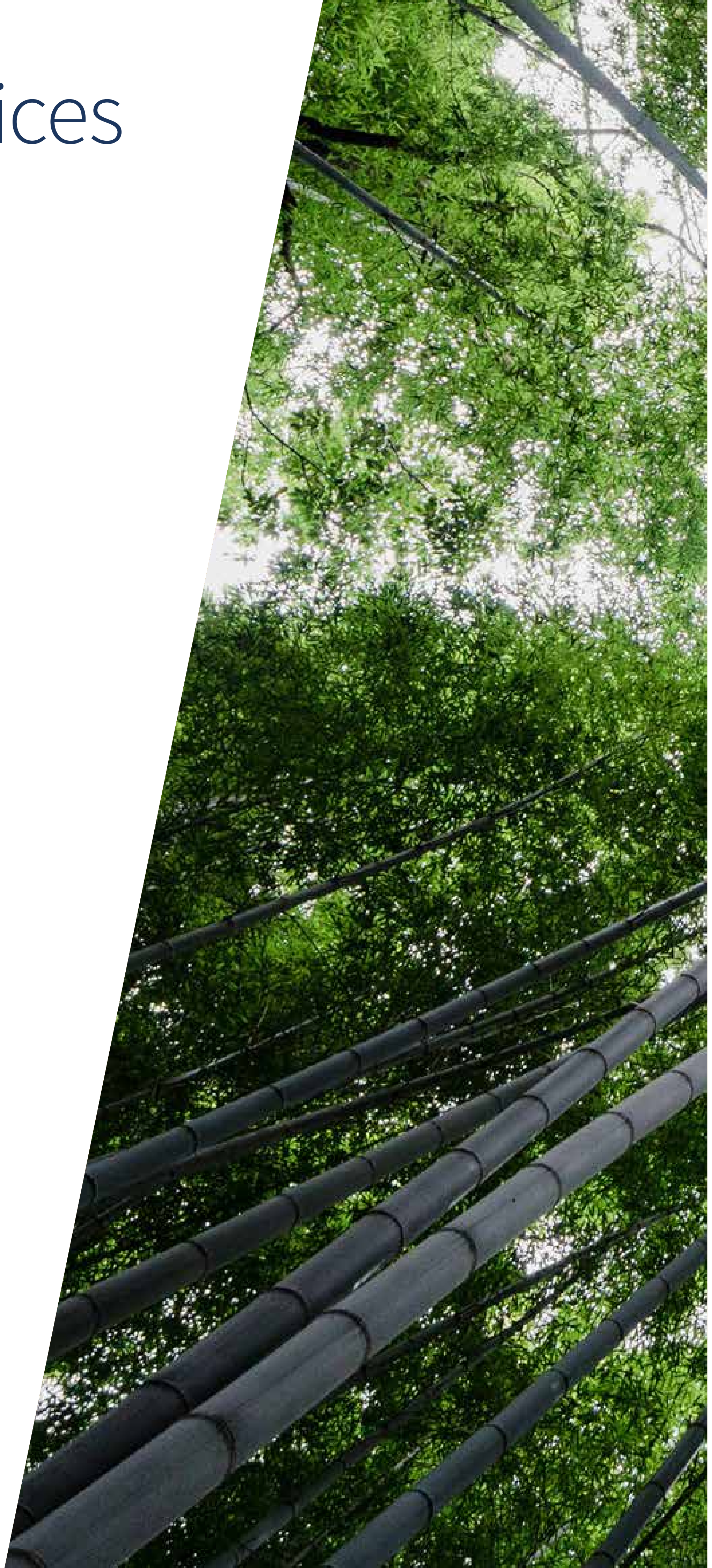
(1) The principal adverse impacts are expressed as quarterly averages calculated over the course of the year. These are percentages related to the assets covered and not to total assets.
(2) The coverage rate for eligible assets shows the percentage of assets returning data out of the total number of assets that are eligible, i.e. subject to the PAI selected.
(3) The coverage rate for total assets shows the percentage of assets reporting data out of all the assets in the portfolios.

Indicators for negative impact on sustainability		Measuring element	Incidence 2023[1]	Incidence 2022[1]	Coverage rate of eligible assets[2]	Coverage rate of total assets[3]	Explanation	Measures taken, measures planned and targets set for the subsequent reference period
Optional indicators applicable to investments in companies								
Emissions	4. Investments in companies that have not taken initiatives to reduce their carbon emissions	Share of investment in companies that have not taken initiatives to reduce their carbon emissions in order to comply with the Paris Agreement (expressed as a %)	48.0%	43.6%	87.3%	82%	Upward trend due to: ▪ the increase in bond assets as a proportion of total assets under management ▪ the decline of this impact for indirect investments	We are committed to supporting Net Zero by 2050. We have defined an intermediate target for 2030: that 75% of our assets under management should be invested in companies with objectives that are in line with a 1.5°C scenario, within the basket of assets held through our open-ended direct management funds. Further information on the measures taken in order to achieve this objective can be found in section 7 of this report.
Combating corruption and corrupt practices	15. Lack of a policy on combatting corruption and corrupt practices	Share of investments in entities that do not have an anti-corruption policy in line with the United Nations Convention against Corruption (expressed as a %)	0.8%	4.7%	86.2%	83.1%	Significant improvement in issuer results with the introduction of policies that meet the MSCI criteria.	Our engagement to governance issues, along with that of other investors, has probably helped to improve issuers' practices.

(1) The principal adverse impacts are expressed as quarterly averages calculated over the course of the year. These are percentages related to the assets covered and not to total assets.
(2) The coverage rate for eligible assets shows the percentage of assets returning data out of the total number of assets that are eligible, i.e. subject to the PAI selected.
(3) The coverage rate for total assets shows the percentage of assets reporting data out of all the assets in the portfolios.

Appendices

A



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

Funds	SFDR Article	Label
Elan France Bear	Article 6	
Elan Alternative Management	Article 6	
Essor Emerging Markets	Article 8	
Essor Japan Opportunities	Article 6	
Essor USA Opportunities	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	Label Towards Sustainability
R-co 4Change Inclusion & Handicap Equity	Article 9	SRI Label; Finansol Label
R-co 4Change Moderate Allocation	Article 8	Label Towards Sustainability
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 Objectif Croissance	Article 6	
R-co Objectif Dynamique	Article 6	
R-co Objectif Harmonie	Article 6	
R-co OPAL 4Change Equity Europe	Article 8	SRI label
R-co OPAL 4Change Sustainable Trends	Article 8	Label Towards Sustainability
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 2027 HY	Article 8	
R-co Target 2028 IG	Article 8	
R-co Target 2029 IG	Article 8	

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

Funds	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 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; Label Towards Sustainability
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 Short Term	Article 8	
RMM Dollar Plus	Article 8	
RMM Indexi	Article 8	
RMM Patrimoine	Article 8	
RMM Top Management	Article 8	
RMM Trésorerie	Article 8	

Source: Rothschild & Co Asset Management, 19/12/2024.

B – External asset management companies

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

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

- Ardian: https://www.ardian.com/sustainability
- Astorg: https://www.astorg.com/responsibility
- Bridgepoint: https://www.bridgepoint.eu/private-equity
- Banca Patrimoni Sella: https://sostenibilita.bps.it/s/sfdr
- Baron Asset Management Company: https://www.baronfunds.com/about#section-esg
- CA Indosuez Gestion: https://ca-indosuez.com/fr/nous-connaitre/ethique-et-conformite
- Carlyle Investment Management: https://www.carlyle.com/impact
- CVC: https://www.cvc.com/sustainable-value/building-better-businesses/
- Five Arrows Managers: https://www.rothschildandco.com/en/five-arrows/responsible-investing//
- 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/
- 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

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 environmental risks and/or opportunities specific to its sector of activity and the policies/strategies implemented in order to address them. Examples: physical risks linked to climate change, waste management, water stress, etc.

Social pillar:

study of the company's exposure to social risks and/or opportunities specific to its sector of activity and the policies/strategies implemented in order 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: ethical and business practice procedures to control and limit the risk of fraud, management misconduct, corruption, money laundering, antitrust violations or tax controversies, etc.

The valuation 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 aim to reflect the exposure of countries to environmental, social and governance risk factors and their management of these factors, which can affect the long-term sustainability of their economies:

Environmental pillar:

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

Social pillar:

Assessing the extent to which a country's long-term competitiveness is affected by its ability to maintain an active, healthy, skilled 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 favours its further development, and to create a favourable economic environment (access to work: rights, market, wellbeing, etc.).

Governance pillar:

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

MSCI ESG Research:

We rely on the ESG research and ratings produced by MSCI ESG Research, which rates companies from CCC to AAA (AAA being the highest rating). MSCI ESG Research's rating philosophy is partly based on the financial materiality of ESG issues, in line with our commitment to incorporating 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 obtained directly from the publications of the companies under review: annual reports, CSR reports, etc.

In summary, for each key ESG issue identified (between 3 and 8 depending on the industry) by sector:

- MSCI ESG Research assesses the exposure of the company under review to the risk envisaged (based on its business model, its presence in certain countries, etc.) and the policies and actions implemented in order to address it;
- Similarly, where there is an opportunity within the sector under consideration, MSCI ESG Research examines the company's exposure to the opportunity and the initiatives put in place in order to address it.

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

- The grades defined on each key issue are totted up and weighted according to their importance within the sector under consideration, in order to obtain an absolute overall grade (from 0 to 10).
- MSCI ESG Research analysts then distribute the ratings within the sectors studied (from CCC to AAA). The resulting ratings are relative within each sector covered.

The '*Best-in-class*' approach favours the best-rated companies from an ESG point of view within their sector of activity, without favouring or excluding any sector.

In their rating processes, MSCI ESG Research analysts consider the potential controversies to which companies are exposed. ESG ratings, which are reviewed at least once a year, may be revised on an *ad hoc* basis to take any controversy into account. MSCI ESG Research ratings allow us to screen and manage our investment sectors transparently.

To establish a fund's ESG rating, MSCI ESG Research uses a three-step process:

- Calculate the 'weighted average ESG rating of the fund' based on the scores available for each issuer. If an issuer does not have an ESG score 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 issuer rating momentum 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 compile 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 elements:

- Identify available data by searching companies' public communications for information about negative impacts on sustainable development:
  - Direct company communications: sustainability reports, annual reports, regulatory documents and company websites.
  - Indirect company communications: 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, in order to encourage them to publicly formalise certain elements when the information is not easily accessible.
- Offering 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. For example:

- The existence of companies that are not subject to reporting requirements
- The 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 reported 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. A blank space may mean that the company is not disclosing the data, is not part of the coverage universe or has not yet been researched.

For the qualitative measures, where 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 value 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 checks on the consistency and accuracy of the data. Their process relies on extractions from their internal databases, which make it possible to identify the conditions that trigger changes in scores, 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 the PAI for their portfolio positions at least once a quarter:
    - For the qualitative indicators: the PAI of the position is the PAI of the issuer concerned;
    - For the 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 shares: number of shares * share 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 negative impact of the sub-portfolio comprised of holdings for which the indicator is applicable. For example, the indicators applicable to investments in companies held are based on the sub-portfolio of holdings in companies.

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

Methodological limitations

PAIs and the aggregating thereof at portfolio level are still recent indicators that suffer from their lack of maturity. For instance:

- Some PAIs have low coverage rates and are therefore not relevant when calculating the aggregate PAI for a portfolio.
- Our supplier, MSCI Research, may have changed the methodology used to calculate some PAIs, making it difficult to compare results from one year to the next.
- 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. The term 'all investments' has been interpreted in different ways, resulting in very different aggregate PAI results from one methodology to another. This makes it difficult for the end investor or distributor to compare funds based on their PAI.
- For our multi-management activities, we base our calculations on the PAI of mutual funds as calculated by MSCI ESG Research. Over the course of 2022, we observed major methodological changes in some PAIs, which skewed the analysis of their values, quarterly averages and trends over time.

For taxonomic information

MSCI ESG Research began collecting data published by issuers in 2023. Our provider distinguishes between estimated data and data reported by issuers within the indicators. In this report, only data reported by companies is taken into account.

The initial research and analysis of the data undertaken follows a rigorous quality assurance process. The accuracy of the data and the 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 methodology and there is no precedent, the case is referred 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.

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.

D - EthiFinance methodology

EthiFinance:

EthiFinance has assisted companies and organisations with their CSR issues in the past, and subsequently it developed an ESG rating activity for investors based on its expertise in the analysis of sustainability risks and opportunities.

As part of the ESG evaluation and monitoring process, EthiFinance carries out an annual review of the ESG evaluation 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.)

The Ethifinance assessment grid is based on scores attributed to the following criteria, which are given equal weighting:

- Economic data
- Governance: composition and operation of governance bodies, remuneration of managers and directors, business ethics, CSR policy and non-financial issues
- Social: social characteristics and 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: supplier relations, customer relations, civil society and product liability
- Levels of seriousness of controversies

E - Carbon4 Finance methodology

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

- Transition risks through its CIA module: scope 1, 2 and 3 carbon footprint, saved emissions, climate scenarios
- The impact on biodiversity through its BIA-GBS module: MSA.km² scope 1, 2 and 3, 10 terrestrial and aquatic pressures

1. Carbon Impact Analytics

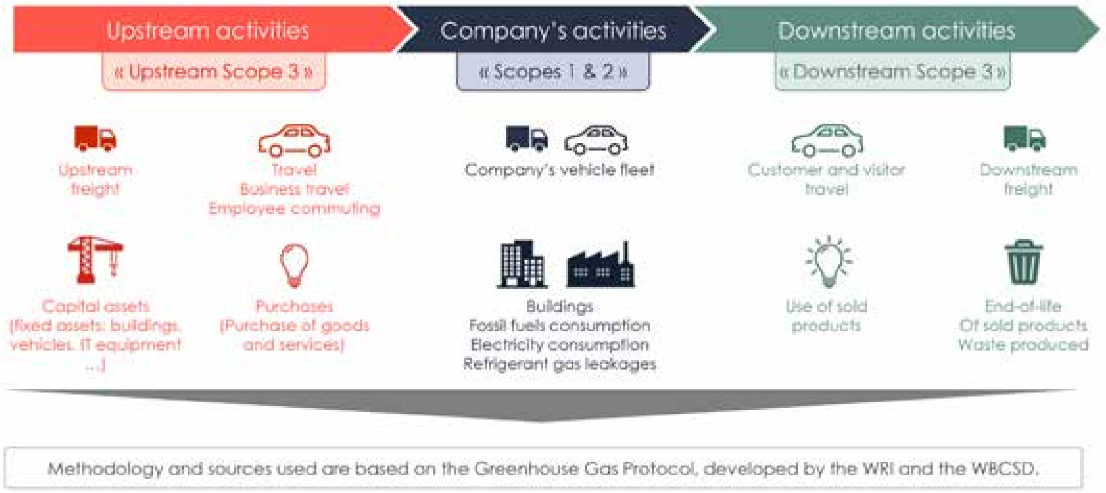
carbon impact analytics

The 4 main methodological pillars of CIA:

1. A *bottom-up* approach, with accurate information and data, comparability and quantitative analysis. The methodology is based on an in-depth assessment of the portfolio's components and aggregates them at portfolio level.
2. A study of the entire value chain with 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 saved emissions: 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 scoring system that compares the company's strategy, objectives and investments with 2-degree scenarios and industry benchmarks.

Scopes 1, 2 and 3

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



Source: Carbon4 Finance

Induced emissions

For companies: induced emissions are actual emissions, i.e. emissions resulting from the activities of an entity – whether a specific project, a company or a sovereign entity. They include both direct emissions (Scope 1) and indirect emissions (Scope 2, Scope 3). On a conceptual level, induced emissions are similar to what is commonly known as the carbon footprint.

For sovereign bonds: the methodology does not make it possible to calculate saved emissions for sovereign issuers, which 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 is a measure of an entity's contribution to climate change mitigation, and is the sum of emissions avoided and emissions reduced:

- Emissions avoided are the differences between induced emissions and a reference scenario modelled by sector (NACE categorisation).
- Emissions reduced are the emissions resulting from the entity's own improvements in carbon intensity (tonnes of CO_2 / tonne or unit of production) compared with a reference 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.

Forward-looking analysis

The *forward-looking* score 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, depending on the actions it plans to take to help mitigate climate change. The thresholds are based on scenarios that are linked to the sectoral references and the 2°C trajectory observed in each sector. The company's *forward-looking* score is the average of its scores across the five sub-sectors.

Carbon Impact Ratio:

The Carbon Impact Ratio, or CIR, is the ratio between saved emissions and induced emissions (Scope 1, 2 and 3).

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

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

All aspects of a company's carbon performance are aggregated into a single indicator: the overall CIA score, ranging from 1 (A+) to 15 (E-). This score 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 when it comes to quantifying an entity's exposure to transition-related risks.

The principles for calculating the overall CIA rating differ depending on the nature of a company's business 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 fact that induced emissions and saved emissions have been compiled and conflated.

  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 proportionate 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 of its value chain.

  Treatment of double counting between different sectors of the world economy

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

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

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

  In particular, CIR identifies companies that have significantly improved the carbon efficiency of their operations, and companies that sell products and solutions that lead to a reduction in GHG emissions over their lifetime. A company's CIR increases when its saved emissions increase, or when its induced emissions decrease. The CIR therefore represents a company's capacity to reduce GHG emissions in relation to the induced emissions 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 the companies included in that entity

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

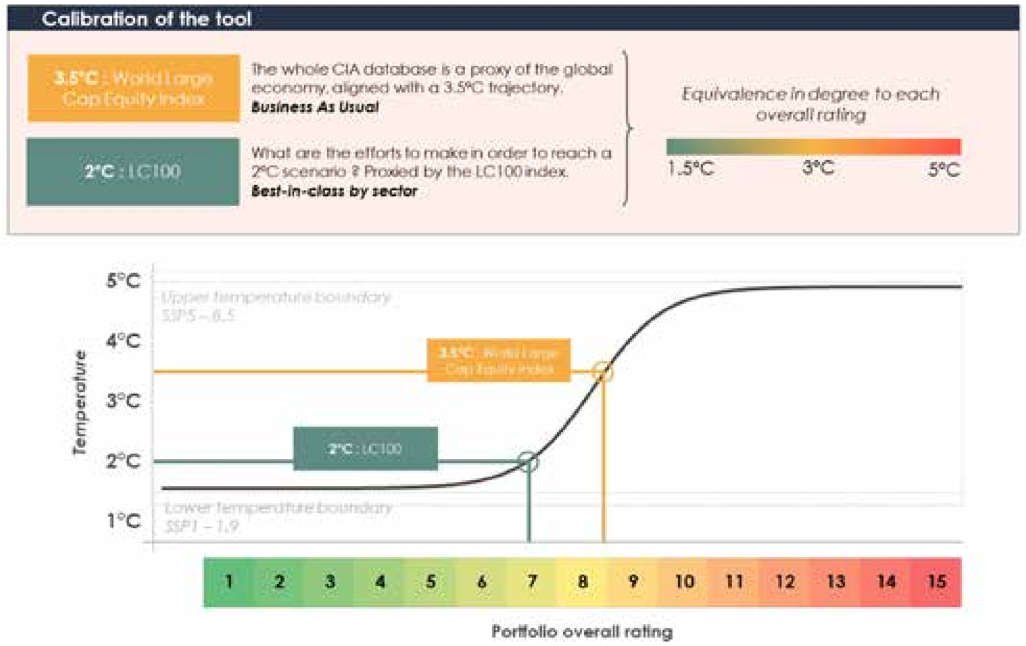
- Step 2: Portfolio aggregation

  To align with the recommendations (e.g. PCAF) and regulatory requirements (e.g. SFDR), the methodology

$$\frac{\text{Emissions induites/économisées de l'entreprise } (tCO_2e)}{\text{Enterprise value } (M€)} \times \text{Exposition du portefeuille } (M€) = \text{Emissions allouées au niveau du portefeuille } (tCO_2e)$$

  uses enterprise value, including cash (EVIC), to represent the value of the issuer.

- Step 3: Calculating a 2°C alignment



Source: Carbon4 Finance

Methodological limitations of CIA as communicated by Carbon4 Finance

- Scope difference between the 2°C reference point (European scope) and the 3.5°C reference point (global scope):
  The temperature formula is calibrated using 2 benchmarks: Low Carbon 100 for the 2°C benchmark (low-carbon economy) and MSCI World for the 3.5°C benchmark (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 uniform.
- Sovereigns are not included in the methodology.

In addition, certain methodological limitations may also affect temperature trajectory calculations

Analyses broken down by sector could lead to a proliferation of underlying assumptions, which would make the model used more opaque and its rigorousness more difficult to evaluate. 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.

2. Biodiversity Impact Analytics

Source: Carbon4 Finance

MSA metric

The BIA-GBSTM describes the impacts in terms of development of undisturbed natural space (in MSA.m²). A 100% MSA is equivalent to a completely preserved area (virgin forest, for example). An impact of 1 MSA.km² is equivalent to the development of 1 km² of undisturbed natural space. The higher the MSA.km² of a portfolio, the greater its negative impact on biodiversity.

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

Static and dynamic impacts

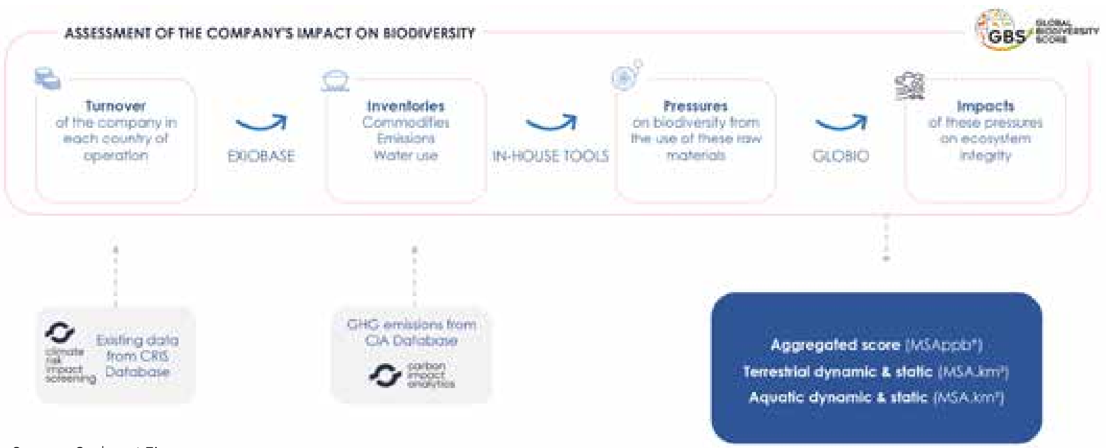
The BIA-GBS™ differentiates between static impacts (the stock) and dynamic impacts (the flow).

- Static impact: state of biodiversity at the start of the assessment
- Dynamic impact: assessment of the impact over the course of the evaluation period

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

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

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

Addressing 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. The impacts

occurring upstream are broken down into:

- Production of non-combustible energy, 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 upstream Scope 3 is covered for the other pressures.

Methodological limitations of BIA as communicated by Carbon4 Finance

- Based on financial data, with the exception of climate change, the granular detail within a sectoral level 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.

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

- Missing or incomplete disclosure by some companies of information (e.g. about their ability to manage their exposures to certain ESG risks) that was used to develop the ESG rating model.
  This problem can possibly be mitigated by using alternative data sources external to the company to feed its rating model;
- The problem of the quantity and quality of ESG data to be processed by MSCI ESG Research (a large flow of information on a continuous basis to be integrated into MSCI ESG Research's ESG rating model): this problem is potentially mitigated by MSCI ESG Research through the use of artificial intelligence and numerous analysts who work to transform raw data into relevant information;
- The problem of identifying the relevant information and factors for ESG analysis for each sector (and sometimes each company): a 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 specific company where appropriate).

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Sources: Rothschild & Co Asset Management, MSCI ESG Research, Carbon4 Finance – December 2023.

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