Rothschild & Co
Asset Management

Article 29 report under the French Energy-Climate Law

2024 financial year

Preamble

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

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

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

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

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

The report covers the Rothschild & Co Asset Management entity as well as funds with assets under management in excess of €500 million at 31/12/2024, i.e. the following funds and their assets under management (in € million):

Funds names	Assets under management (in millions of euros)
R-co Valor	5 822
R-co Conviction Credit Euro	2 919
RMM Court Terme	2 769
RMM Trésorerie 6M	2 626
R-co Target 2028 IG	1 962
R-co Target 2029 IG	1 039
OPC Obligataire dédié	1 020
R-co WM World Equities RDT - DBI	789
R-co Conviction Equity Value Euro	637
R-co Valor Balanced	587

Source: Rothschild & Co Asset Management, 31/12/2024.

Through this report, we intend to (i) review our sustainable approach, (ii) take stock of how we addressed the challenges of climate change and biodiversity in 2024, and (iii) present our ambitions and improvement plans for the future, in line with the regulatory requirements of the Article 29 order.

This is the fourth 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

96%
of our open-ended funds classified SFDR Article 8 or 9 funds

5
funds categorised Article 9 SFDR

7
labelled funds

ENGAGEMENT

142
issuers met in 2024

125
areas for improvement identified during the year

99%
attendance at general meetings in 2024

EMPLOYEES

36%
of women in investment teams

32
FTEs addressing sustainability issues

i.e.
8%
of all company's FTEs

CLIMATE & BIODIVERSITY

81
carbon intensity of our AuM, in tonnes of CO_2eq/€m of revenue (Scopes 1 and 2)

2.3°C
implied temperature rise of our AuM according to MSCI ESG Research

41.4%
invested in companies validated by or committed to the SBTi – for the scope concerned by the Net Zero Asset Managers initiative

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

66%
of assets assessed on the basis of climate risks

66%
of assets assessed according to their biodiversity footprint

Highlights of 2024

Our approach to sustainability has been in place for over ten years. With this experience, we have pursued our initiatives while ensuring we keep our approach clear and simple. We further strengthened our approach in 2024, reaching several key milestones.

01

Strengthening investment constraints and the depth of ESG analyses

Continued efforts to roll out our proprietary framework for analysing climate transition plans: as part of a drive to formalise our proprietary approach, we continue to draw on existing frameworks and take part in financial market initiatives aimed at establishing better practices. **We developed in 2024 an automated version of our transition grid** based on data supplied by our providers in order to expand the level of coverage on our bond portfolios.

A broader common exclusion framework incorporating all controversial weapons and downward revised thermal coal thresholds, in line with the NGO's Urgewald coal exit roadmap.

Application of the new “V3” of French SRI label framework to our 4Change range: we opted to maintain the label for 4 funds - those with the most ambitious sustainability strategies - of our 7 labeled funds. To do so, we drew on the progress we have made in terms of engagement, controversies management and transition plan analysis for which procedures have been continually reinforced in recent years.

02

External recognition

Appointment to the AFG’s Responsible Investment Committee: in 2024, we took a seat on the AFG’s “Responsible Investment Committee” which is tasked with contributing to establish positions and top priorities in matters of sustainable finance, particularly in response to any consultations and regulatory developments. Our seat on this committee provides an opportunity to gauge developments in the ESG market and express our views effectively as a medium-sized independent asset management company.

External recognition of our ESG expertise: here in France, we achieved third place in the Trophées de la Finance Responsable. In Italy, we were recognised as second best in the ESG Identity Asset Management Assessment (ESG. IAMA). Such awards acknowledge our robust approach to sustainability.

03

Corporate Social Responsibility

Formalisation of our CSR approach: we published our first CSR report in 2024 as a result of collaborative efforts. This report complements the Rothschild & Co Group's CSR report and aims to highlight the initiatives undertaken by our division. Subsequent to this publication, a CSR Committee chaired by Ludivine de Quincerot and made up of staff members from various different departments was established to oversee the implementation of our future actions.

Ambitions and areas for improvement identified

Focus on the climate

- **Reduced exposure to fossil fuels:** the portion of direct investments we make in companies operating in the fossil fuel industry has fallen over two consecutive years, and this includes thermal coal, oil and gas (unconventional and conventional) activities. We revised our thermal coal exclusion thresholds downwards in 2024, as per the coal exit roadmap established by the NGO Urgewald.

- **Vigilance on climate objectives and their effective implementation:** the portion of our investments in companies whose targets have been audited by the SBTI is rising steadily, but we are facing challenges to make progress towards our intermediate objective due to poor coverage of the energy and financial sectors. In light of the results presented in this report, we plan to begin monitoring through other reference frameworks such as the TPI and the Net Zero alliances for the financial institutions to supplement the SBTi.

- **Understanding transition climate risks:** we pay close attention to changes made to our data provider's climate risk methodologies, which results on our AuM are presented in this report, but also to those of other renowned actors through our participation in the *Institut de la Finance Durable* working group on climate risk analysis.

Focus on biodiversity

In 2024, we chaired the AFG working group on biodiversity which resulted in the publication of a guide to best practices. The guide covers all investment processes and seeks to provide asset managers with practical tools and examples to tackle the subject.

During the fiscal year, we strengthened our biodiversity strategy:

- **Introduction of sectoral restrictions:** as from July 2025, we will exclude investments in companies that derive more than 5% of their revenue from the production or distribution of palm oil.

- **More in-depth analysis of risks and opportunities:** open-source databases are beginning to emerge, allowing for more granular and in-depth analyses. We are starting to use CDP dataand its water and forest-related metrics. We are also beginning to incorporate the ENCORE database, which has enabled us to present our investment dependency and pressure matrix for the first time in this report. Where biodiversity data is concerned in general, we will keep a close eye on the indicators and methodologies made available to us by our data providers so that we can factor them into our analysis, risk monitoring and portfolio reporting procedures.

- **A more extensive engagement strategy:** for next year, we have identified a priority list of companies with which we could deepen our engagement on this issue. In terms of investor coalitions, we plan to join the collaborative initiative Nature Action 100, which aims to support companies in taking into account issues related to nature and biodiversity.

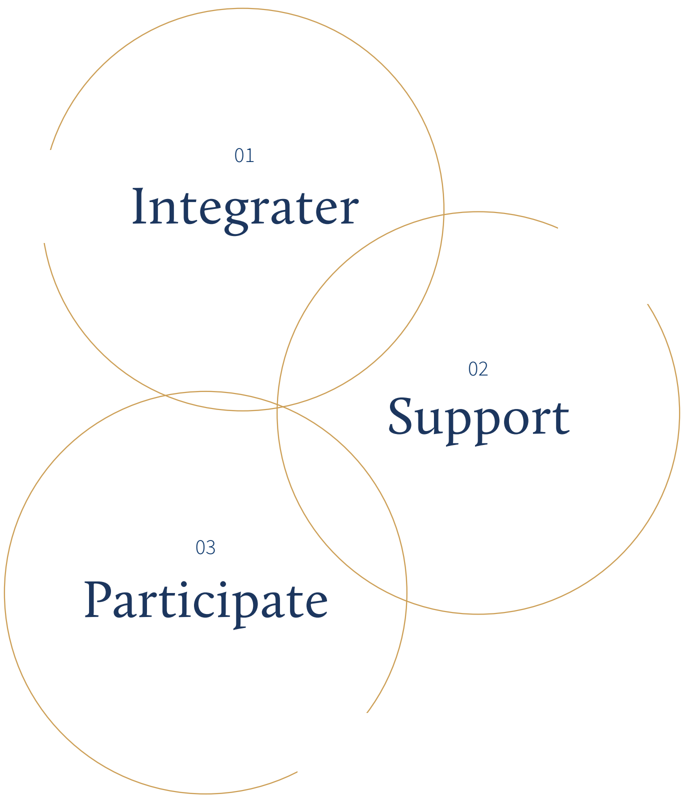
Our sustainable approach

“Our approach is consistent with our investment management DNA : creating value for our clients by anticipating structural evolutions in the market.”

01

A sustainable approach to performance

Initiated more than a decade ago, our approach to sustainability is consistent with our investment management DNA: creating value for our clients by anticipating structural evolutions in the market. As conviction-based fund managers, we are guided in our investment decisions by 3 key principles:



01 Integrating sustainability issues into financial analysis

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

02 Supporting all economic players through a transition approach

We believe that the transition towards a more sustainable world requires integrating all sectors, including those who might seem the least virtuous. Even so, embracing a transition goal requires rigorous analysis combined with a long-term vision. We are convinced that by supporting companies from all industries we will achieve a more significant progress that may come along a reappraisal of the stock market value.

03 Participating in the development of a more inclusive economy

A long-lasting transition can only be achieved through a socially acceptable process. We believe that a sustainable economic model promotes more inclusive economy. Our approach intends to articulate the environmental and social dimensions consistently.

We want to encourage our portfolios' companies **to adapt their practices and steer our financial flows** towards firms that integrate these issues into their strategies.

We have chosen to develop a transition approach that allows us to invest in all sectors and to combine our support for companies on their sustainable transformation journey with our search for financial performance.

These 3 principles are applied to all our investment expertise according to investment strategies' levels of sustainability integration.

Over 10 years of integrating sustainability issues

2025

2024

% of our open-ended fund assets classified as SFDR Article 8 & 9 funds

7 labelled funds (SRI, Towards Sustainability, Finansol)

Participation in drafting a guide on factoring biodiversity into investments alongside the AFG and Moonshot

Extension of the exclusion scope to all controversial weapons

Mandatory training in the low-carbon transition for all our employees

Publication of Rothschild & Co Asset Management's first CSR report

2023

Development of a proprietary framework for analysing corporate climate transition plans

Creation of an engagement monitoring and steering committee

Structuring of a monitoring and escalation procedure for the material controversies identified

Development of a sustainability risk monitoring and control tool

Exclusion of the tobacco sector for all products

Member of the FAIR collective

Member of the French Sustainable Investment Forum

2022

New biodiversity data providers (Carbon4 Finance & CDC Biodiversité)

Member of 1% for the Planet Publication of our climate policy and SBTi target

2021

Partnerships with Polar Pod and Café Joyeux

Signatory and member of Finance for Tomorrow and of the Investors for a Just Transition coalition

Membership of the Net Zero Asset Managers Initiative

New data providers: EthiFinance / Carbon4 Finance

Signature of the United Nations Global Compact (UNGC) at Group level

2020

Group principles for investing in thermal coal

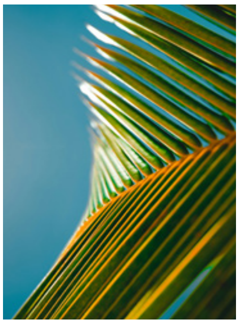
2019

Development of the labelled 4Change range

Membership of Climate Action 100+

2018

Launch of a low-carbon institutional mandate



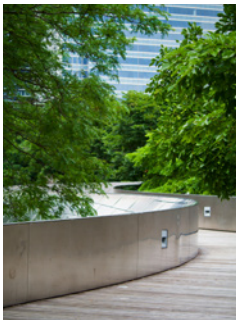
2017

Signatory to the Carbon Disclosure Project at Group level

New ESG data provider (MSCI ESG Research)

2015

Launch of work on carbon and social issues



2012

Development of a portfolio ESG rating tool

2011

Signatory to the UNPRI

Adoption of the ISS voting policy

A sustainable approach common to all our products and asset classes

A common framework of exclusions

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

Integrating material ESG criteria into financial analysis

- Use of ESG data providers: MSCI ESG Research (best-in-class approach), EthiFinance (optimisation of ESG coverage), Carbon4 Finance and CDC Biodiversité (carbon and biodiversity data), Morningstar Direct (fund data)
- Use of publicly available company data, broker studies, academic and scientific research, NGO reports and open-access databases (SBTi, TPI and CDP)
- These elements can be combined with the investment cases produced by our analysts. The integration of ESG criteria adapts to the research process of each investment expertise and can apply either at the sector level, the issuer level, the management company level and/or the fund level

Sustainable requirements at portfolio level

- ESG rating of BBB or above
- Minimum ESG rating coverage
- ESG rating higher than that of the investment universe – for the majority of our directly managed open-ended products
- Minimum of sustainable investments – for products classified as Article 8 & 9 under the SFDR

Active engagement

- Targeted dialogue on our priority themes (climate transition, data transparency and other material themes depending on the sector, etc.) and controversies
- A responsible voting policy on all the equity scope
- Active participation in several local working groups (AFG, French SIF, UNPRI, Climate Action 100+, Nature Action 100, etc.) on key sustainability issues (climate transition plans, biodiversity, fossil fuels, a just transition, regulations, etc.)

Production of detailed ESG reports(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: taxonomy alignment (revenues and CapEx), SBTi reduction targets, exposure to stranded assets
- Biodiversity: assessment of water management practices (CDP)
- Governance: women representation on the board of directors
- Sustainable Development Goals (SDGs): percentage aligned with SDGs

(1) Except for category 3 products according to AMF doctrine DOC-2020-03 and Article 6 of the SFDR.

A range of products with varying degrees of ESG integration

We seek to set up a pragmatic approach that is suited to all our investment strategies. Three levels of intensity have been structured to best address the specific features of each investment expertise and offer our clients a diverse range of investment solutions integrating sustainability challenges.

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

All Rothschild & Co Asset Management products are managed in line with exclusions, portfolios ESG objectives (i.e. an ESG rating of BBB or above) and with detailed ESG reports. In order to appreciate risk exposure and current industry practice, our research process is based on external ESG assessments and more in-depth analysis on the sector and/or issuer carried out by our in-house teams. Controversies are also integrated and constitute a key element of the engagement process, on top of the responsible exercise of our voting rights. This common framework contributed to better protect our portfolios from sustainability risks and to disseminate good practices in terms ESG integration.

Sustainable investment: our "4Change" range

Since 2019, as part of our 4Change range of open-ended funds, we have managed labelled socially responsible investment strategies. These are based on more stringent sustainable selection criteria, additional exclusions and specific engagement actions, and can address environmental issues (Net Zero transition, Green Bonds) or social ones (Inclusion).

The 4Change range is aligned with European standards. It is made up of funds carrying the SRI, Towards Sustainability or Finansol labels and covers the whole spectrum of asset classes and regions. It showcases our know-how of and commitment to specific sustainability themes.

Tailor-made ESG solutions

As part of our dedicated solutions offering, Rothschild & Co Asset Management supports its clients in reinforcing their investment processes by integrating customized factors: norm-based and sectoral exclusion criteria, ESG objectives and/or a thematic approach, in accordance with our clients' commitments and values.

Our "4Change" range

	Equities/Multi-management	Diversified allocation	Fixed income
Eurozone			
	R-co 4Change Net Zero Equity Euro SFDR Article 9		R-co 4Change Net Zero Credit Euro SFDR Article 9
Europe			
	R-co 4Change Inclusion & Handicap Equity SFDR Article 9	R-co 4Change Moderate Allocation SFDR Article 8	
World			
	R-co OPAL 4Change Global 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, 31/12/2024

Transparency, an essential part of our sustainable approach

Information on our sustainable approach as presented above is formalised and made available on our website :

Politiques / Documents généraux

- ESG policy
- Engagement and voting policy
- Exclusion policy relating to controversial weapons
- Exclusion policy relating to fundamental principles
- Investment principles for the thermal coal sector
- Exclusion policy relating to tobacco
- Register of exclusions
- Policy for taking into account the principal adverse impacts in sustainability
- Sustainability risk policy for investments
- Definition of sustainable investments Remuneration policy

Specific documents

- List of open-ended funds complying with the ESG policy
- Transparency Code for “4Change” funds

Reports

- Engagement and voting report
- Article 29 Energy and Climate Law Report
- Rothschild & Co Asset Management’s CSR Report
- Rothschild & Co Group’s CSR Report
- UN - PRI transparency report, available on the PRI website

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

- Prospectuses and PRIIPs KIDs
- Funds annual reports
- Pre-contractual and periodic annexes (SFDR), and Article 10 SFDR web disclosures, for products classified as Article 8 or 9 SFDR
- Financial reporting, including ESG reporting
- Marketing documents, it being specified that for category 2 funds according to AMF doctrine 2020-03, information on ESG criteria is limited to 10% of the marketing documentation, and for category 3 funds, this information is limited to the prospectus only

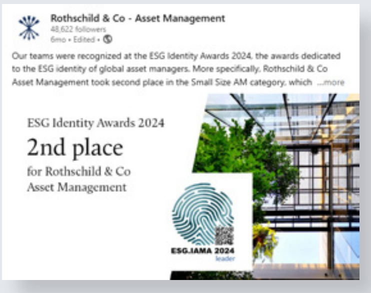
Any change in the categorisation of a product according to SFDR implies complying with the RTS and communicating to holders. It may be communicated by any means where open-ended funds are concerned and requires the prior agreement of our clients in the case of dedicated products.

Specific communication initiatives

In 2024, Rothschild & Co Asset Management stepped up its communication efforts in accordance with its sustainable investment themes and latest developments. In order to inform and educate, we took part in round table discussions, organised events and intensified our presence in the traditional media as well as on social media.

4

Dedicated events



15

LinkedIn posts

3

Articles/ Documents

Scope of the Article 29 report and main changes for the 2024 financial year

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 range.

At the close of 2024, 84% of our total assets under management were classified as Article 8 or 9 under the SFDR. This is higher than in 2021 but stable on a year-on-year basis. **At end-2024, 96% of our open-ended funds were classified as Article 8 or 9 under the SFDR,** stable over the past two years. A list of our open-ended funds and their SFDR classifications is available on our website and in the appendix to this report.

In 2024, we conducted a review on the application of the new version "V3" of the French SRI label to our labelled funds and 4Change range. We chose to retain the label for 4 funds and withdraw it for 3 others. There were various reasons for our decision:

- Funds applying a "generalist" SRI approach, i.e. without any specific sustainability theme: the new SRI label standards could not be applied to these funds without distorting the fund management process or creating sectoral biases;
- Funds invested in specific asset classes such as convertible bonds: the investment universe was downsized to an extent that meant it was no longer deep enough;
- Funds of funds, for which the Value for Money regulation also influenced our decision.

The funds that continue to carry the SRI label under V3 are those that are managed according to a strong theme-based SRI strategy or that already adhered to more stringent frameworks such as SFDR Article 9 and the Towards Sustainability label. We have continually reinforced our engagement, controversy and transition plan analysis processes in recent years. It is worth noting, however, that small and medium-sized asset management companies might not be able to allocate the resources required for such adjustments. We acknowledge that there was a need for the SRI label to regain credibility over investors, and it is understandable that, in this context, some funds have chosen to no longer comply with its requirements.

There have also been positive developments as regards dedicated solutions. We make the most of discussions with our clients to raise their awareness and to answer any questions and requirements they may have in the area of sustainability. We have reinforced our dedicated ESG strategies and supported our clients in integrating enhanced selection and exclusion criteria and sustainable performance indicators, while respecting their commitments and values. **In 2024, the trend observed in SFDR reclassifications of products dedicated to advisors continued,** with 6 new reclassifications from Article 6 to Article 8.

Breakdown of our products by SFDR classification

SFDR article	Number of products		Assets under management (€ millions)		Assets under management (%)	
	31/12/2024	vs. 29/12/2023	31/12/2024	vs. 29/12/2023	31/12/2024	vs. 29/12/2023
1. Open-ended funds	**65**	**57**	**24 880**	**20 549**	**70%**	**69%**
Article 6	12	+4	919	+57%	4%	-1
Article 8	48	+4	23 665	+21%	95%	+1
Article 9	5	0	297	-8%	1%	-1
2. Dedicated solutions	**160**	**139**	**10 822**	**9 372**	**30%**	**31%**
Dedicated institutional funds	**71**	**67**	**6 845**	**6 092**	**63%**	**65%**
Article 6	18	-7	1 242	-80%	18%	-7
Article 8	53	+11	5 604	+136%	82%	+7
Wealth products	**89**	**72**	**3 977**	**3 280**	**37%**	**35%**
Article 6	68	+4	3 720	+21%	94%	0
Article 8	19	+12	251	+31%	6%	0
Article 9	2	+1	5	+25%	0%	0
Total	**225**	**196**	**35 702**	**29 920**	**100%**	

Source: Rothschild & Co Asset Management, 31/12/2024.

Breakdown of our products by AMF Category

AMF category	Number of products	
	31/12/2024	vs. 29/12/2023
1	**8**	**-3**
2	35	+3
3	121	+16
No category	61	+13
Total	**225**	

Source: Rothschild & Co Asset Management, 31/12/2024.

Note on methodology:

For the purposes of this Article 29 report, the scope covers financial products, open-ended and dedicated investment funds and management mandates for which we are the asset 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 portion of our business, albeit a marginal one, that is not included in total assets under management.

For greater clarity, 'dedicated solutions' are broken down into two types of clients: those from the Asset Management division (institutional investors, fund selectors, private banks and advisers); and the retail clients of Rothschild Martin Maurel, Rothschild & Co Group's private bank, to which we delegate the financial management of dedicated SIVAC wealth funds. It should 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.

Our engagement strategy

> "We are convinced that engagement is a lever supporting the real economy transformation."

02

Contributing by engaging in dialogue with our stakeholders

Through our engagement policy we seek to take action across our value chain:

- **With issuers,** as part of our direct management process, in the form of an individual or collaborative dialogue initiative. With a view to supporting and monitoring their 'ESG trajectories', we interact regularly and constructively with the issuers in which we are invested. We make use of our right of oversight whenever we deem that necessary to deepen our analysis, assess an issuer's capacity to transform, shield ourselves from a risk of controversy, or take concrete measures in accordance with our ESG investment themes (transition plans and net zero pathways, taxonomy alignment, social inclusion, biodiversity, specific exclusions, sustainable performance indicators, ESG ratings, principal adverse impacts, etc.). We focus on identifying areas for improvement that we are able to monitor. Discussions that prove unsuccessful or inconclusive can have a direct consequence on our portfolio positions.

- **With asset managers,** 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. Answers provided enable us to exchange views, which are an ideal opportunity to encourage management companies to improve their practices.

- **With the sustainable finance ecosystem** (clients, external data providers, industry associations, financial market initiatives, public authorities, NGOs, educational sphere, etc.). We are actively involved in various initiatives by participating, among other things, in public consultations, working groups and panel discussions, and by conducting communication campaigns meant for the general public.

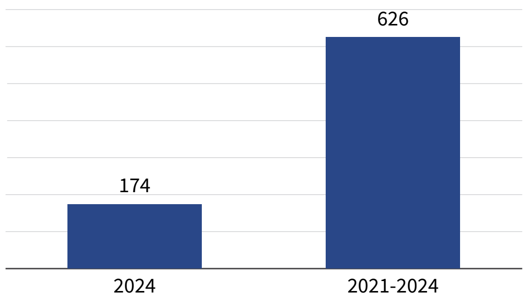
- **With our associative partners.** A portion of our management fees, for specific SRI funds, is redistributed to our associative partners Polar POD and Café Joyeux.

- **With our employees.** Training up our employees and raising their awareness of sustainable investment themes are factors that contribute to the success of our business. We carry out training and awareness campaigns and involve employees in our initiatives.

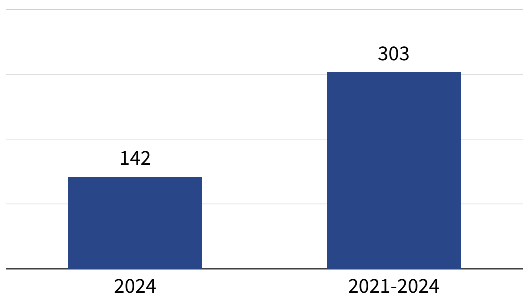
More details can be found in our Engagement and voting policy.

Key figures for the period 2021-2024

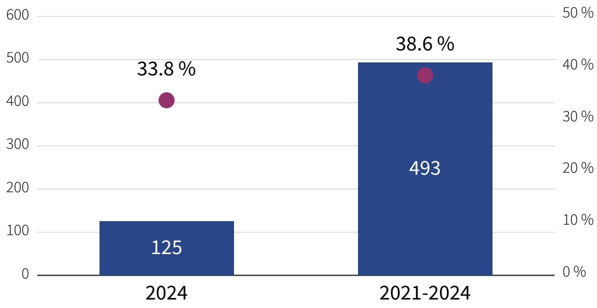
Number of ESG interactions



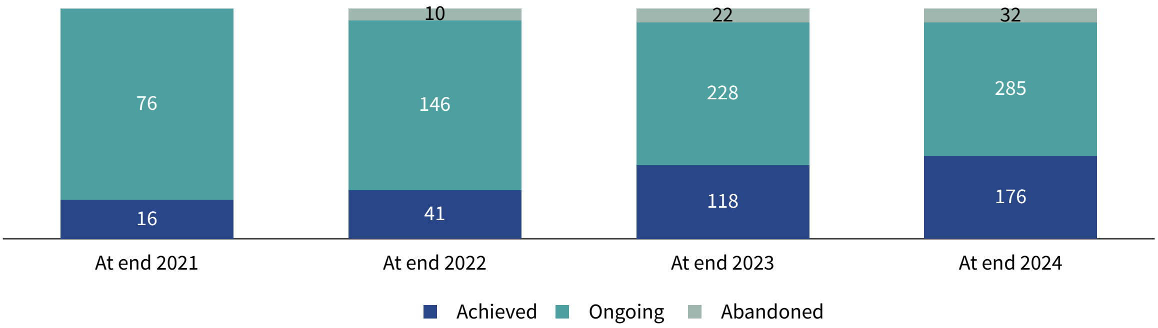
Number of issuers engaged



Number of questions asked leading to the definition of an area for improvement



Oversight of action taken on the areas for improvement identified since financial year 2021



More details on our dialogue and engagement initiatives in financial year 2024 can be found in the Engagement and voting report published on our website.

Source: Rothschild & Co Asset Management, 31/12/2024.

Voting policy

Rothschild & Co Asset Management introduced an active voting policy in 2011 that is consistent with the principles of sustainable investment.

Accordingly, we have entrusted resolution analysis to a specialist, Institutional Shareholder Services (www.issgovernance.com), and chosen to adopt a "Socially Responsible Investment" policy to allow us to assess companies on all ESG pillars. It is freely available for consultation and updated on a regular basis. ISS submits explicit voting recommendations that comply with the principles of sustainable investment, while Rothschild & Co Asset Management remains the ultimate decision-maker when exercising its voting rights. Our qualitative analysis, on a case-by-case basis, of specific resolutions sometimes leads us to vote differently from ISS recommendations.

Our voting policy covers our entire equity investment scope, with no distinction between regions or market capitalisations. Accordingly, the scope of our voting rights covers the European and international equities held in our funds.

More details about our voting process and the scope it covers can be found in the Engagement and voting policy published on our website.

Key figures for 2024

	Number	%
Total AGMs	**507**	**100**
Voted at	501	99
Not voted at	6	1
Total resolutions on which we voted	**7,682**	**100**
Of which "for"	6,111	80
Of which "abstained"	15	0
Of which "against"	1,556	20
AGMs with at least one vote "against"	**321**	**63**

Source: Rothschild & Co Asset Management, 31/12/2024.

More details about how we exercised our voting rights in 2024 can be found in the Engagement and voting report published on our website.

Our internal resources

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

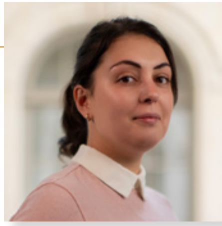
03

Our teams

Sustainable Investment team

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

Ludivine de Quincerot
Head of the Sustainable Investment team,
Fund manager



2 ESG specialists

Andrea Sekularac & Alice Lagny

contribute to research and to ESG methodologies and strategies, support to business development, and monitor regulatory developments and our competition

1 ESG analyst head of engagement

Edward Luu

coordinates our engagement strategy and actions and contributes to research on specific sectors

1 Financial engineer and ESG data scientist

Thomas Vincent

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

The Sustainable Investment team is actively involved in steering and harmonising ESG processes across all investment expertise, coordinating research and engagement with the investment teams, and maintaining relations with our 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 labels. Finally, it is involved in business development, particularly for our SRI range.

Investment teams

In tight collaboration with the Sustainable investment team, the ESG and financial research, along with the engagement with issuers are conducted by analysts in each investment expertise team:

4	5	5	5
European equity analysts	international equity analysts	fixed-income analysts including 1 ESG analyst	multi-management analysts

Securities are selected for our portfolios based on a financial research process that integrates ESG criteria. They are also involved in analysing controversies and engagement procedures within their respective sectors as regards both dialogue and voting. The fund managers are responsible for properly integrating the asset managemer's sustainable approach into their funds. Working alongside the analysts, they are mobilized both on the sustainable approach, common to all generalist investment vehicles, and on the labelled strategies with dedicated sustainable thematic and enhanced selection criteria.

The French **Rixain Law** seeks to improve economic and professional equality. Article 8 bis requires portfolio management companies to disclose their targets in terms of gender balance within their teams and bodies and among the managers responsible for making investment decisions.

In 2021, we set ourselves the target of achieving 30% female representation in the above-mentioned teams. This target was achieved, with a 36% share of women in investment bodies by the end of 2022. **At end-2024, the share was stable at 36%. We aim to reach 40% by 2026 and then gradually reach a point where we have achieved balanced representation.**

More details can be found in a dedicated report describing our approach to CSR which is updated annually and published on our website.

Putting our sustainable approach into practice requires not only the involvement of our human resources but also the deployment of financial resources. **To this end, the budget allocated to ESG amounts to €1.235 million.**

The ESG budget is used to finance ESG research and data, database management tools and IT solutions dedicated to sustainable processes, labels, membership of market initiatives and ESG certification training for employees. It does not, however, include employee salaries.

- **7 providers:** MSCI ESG Research, Ethifinance, Carbon4 Finance, CDC Biodiversité, Morningstar, Bloomberg and broker studies
- **€925k:** amount invested in non-financial research associated with external services and database subscriptions

Operational teams

The Risk Management and Compliance teams

are involved in developing solutions to monitor and verify our commitments. As such, the Risk Management team is responsible for inputting ESG data into our operational systems.

The Legal team

is involved in drafting and producing the various contractual documents incorporating the sustainability commitments made.

The Business Development teams

are actively contributing to the development of marketing materials, monitoring tools, commercial strategies and promotion of ESG criteria.

The Product Management team

is involved in managing the product range, creating new products, updating the database and helping to carry out responsible investment projects.

Each team makes an active contribution to our approach to sustainability. Instead of being entrusted to an independent expertise, sustainability issues are addressed by all our internal resources and staff members.

In 2024, **32 full-time equivalents** (FTEs) were dedicated to incorporating environmental, social and governance criteria into Rothschild & Co Asset Management's investment strategy, i.e. **18% of the asset management company's total FTEs.** This indicator is calculated as the ratio of working time spent on ESG to total working time for each employee.

04

The European Taxonomy, a springboard to a sustainable economy

“We are convinced that taxonomy provides an objective framework for assessing the contribution of an activity to the transition.”

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 concrete part of the economy. One of its initiatives was to create a reference framework to determine the 'sustainable' nature of an economic activity: the Taxonomy.

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

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

It is a non-exhaustive and constantly evolving list of standardised criteria for determining an economic activity's contribution to defined sustainability goals, thus avoiding differences of assessment.

Where the Environmental Taxonomy is concerned, the 6 defined objectives to which an activity must contribute in order to qualify as green are:

01

Climate change mitigation

02

Climate change adaptation

03

Sustainable use and protection of aquatic and marine resources

04

Transition to a circular economy

05

Pollution prevention and control

06

Protection and restoration of biodiversity and ecosystems

Of the various sustainable activities, i.e. those that make a **substantial contribution** to at least one of the 6 environmental objectives, there are some that may also qualify as an:

- **Enabling activity**
  activities that allow other activities to make a contribution to one or more of the 6 objectives.
- **Transitional activity**
  activities for which no economically or technologically feasible low-carbon alternative exists. Since January 2023, such activities include the production of nuclear energy or fossil gas.

It is being phased in gradually. Of the six objectives listed, the first 2 came into effect in January 2022 and the other 4 in January 2024. Where the scope of application is concerned, non-financial companies have had the obligation to communicate their level of eligibility and alignment since 2023, whereas financial companies have been subject to this obligation only since 2024. Regarding the Social Taxonomy, some initial suggestions were communicated in 2022 but have not been followed up at this stage.

In late 2024, the European Commission decided to simplify sustainability rules and support European firms become more competitive. On 26 February 2025, it published a draft Omnibus directive amending 3 major regulations in particular: CSRD, Taxonomy and CSDDD. The draft seeks especially to:

- slow down the implementation of the CSRD;
- lower the CSRD's and Taxonomy's thresholds and reduce their scope of application;
- simplify the scale, scope and content (including quantified content) of the reporting requirements set out in the CSRD and Taxonomy.

In 2025, particularly as part of the Responsible Investment Commission of the AFG, we closely followed these developments. We support the EU's simplification approach while upholding certain fundamental principles such as double materiality. However, simplification must not come at the expense of investors' access to consistent, high-quality ESG data, which is necessary for the extra-financial analysis of companies.

Note on methodology:

The scope of assets covered by taxonomy eligibility and alignment for financial year 2024 is that of the funds and mandates covered by this report. The total amount of assets to which the aggregated percentages refer is €35.7 billion at 31/12/2024.

The results for the 2023 financial year are taken from the Article 29 Energy-Climate Law report published for this financial 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 a 0% alignment and eligibility level, which is a conservative approach that could lead to an underestimation of the taxonomy percentages presented.

For the purposes of the Environmental Taxonomy, we rely exclusively on the taxonomy data reported by issuers and compiled by MSCI ESG Research.

Results on our assets and evolutions over the year

Taxonomy eligibility indicates the proportion of a company's revenue (turnover), capital expenditure (CapEx) or operating expenditure (OpEx) that is derived from eligible activities, while taxonomy alignment corresponds to the proportion of turnover, CapEx or OpEx that specifically meets the objective in question without doing any significant harm to the other objectives.

Data on the alignment of capital expenditure (CapEx) provides a forward-looking view of a company's direction and trajectory, while data on its revenue (turnover) indicates the state of affairs at a given time.

A year-on-year comparison shows that the turnover and CapEx alignments of our AuM have increased since last year:

- **Turnover eligibility** rose from 9.5% to **17.7%, CapEx eligibility** from 13.4% to **20.4%**

- **Turnover alignment** rose from 3.1% to **4.2%, CapEx alignment** from 5.2% **to 6.2%.**

This is due to:

- **Full application of the regulation**
  - The latest objectives were published and came into effect, resulting in higher levels of eligibility and alignment,
  - – European financial companies published their alignment levels in 2024, although they were generally low.

- **Improved communication by issuers:** issuers subject to the CSRD are communicating more and their alignment levels are higher, all asset classes combined. This has a direct impact on our portfolios.

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

Scope	Eligibility	of which Mitigation	of which Adaptation	of which Water	of which Circular Economy	of which Pollution	of which Biodiversity
Turnover	**17.7%**	11.9%	1.0%	0.1%	0.9%	0.4%	0.1%
Capex	**20.4%**	13.9%	1.0%	0.2%	0.5%	0.4%	0.0%
Opex	**11.8%**	5.4%	0.3%				

Source: MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.

Scope	Alignment	of which Mitigation	of which Adaptation	of which Water	of which Circular Economy	of which Pollution	of which Biodiversity	Enabling activities	Transitional activities	of which Gas	of which Nuclear
Turnover	**4.2%**	3.9%	0.2%	0.0%	0.0%	0.0%	0.0%	1.8%	0.6%	0.0%	0.2%
Capex	**6.2%**	5.5%	0.4%	0.0%	0.0%	0.0%	0.0%	2.5%	0.6%	0.0%	0.2%
Opex	**3.9%**	3.1%	0.2%							0.0%	0.2%

Source: MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.

Changes in taxonomy levels in financial year 2024

	Eligibility			Alignment		
Scope	2023	**2024**	Change	2023	**2024**	Change
Turnover	9.5%	**17.7%**	8.1%	3.1%	**4.2%**	1.2%
Capex	13.4%	**20.4%**	6.9%	5.2%	**6.2%**	1.0%
Opex	9.4%	**11.8%**	2.5%	3.8%	**3.9%**	0.1%

Source: MSCI ESG Research. Rothschild & Co Asset Management. 31/12/2024.

Focus on some of our funds and comparison with market indices

In addition to our funds exceeding €500 million of AuM, which are covered by Article 29 of the Energy-Climate Law, we also publish the taxonomy levels of our SFDR Article 9 funds. The latter show significant levels of alignment due to their instrument selection seeking to support companies in transition (Capex alignment) and those more advanced in the execution of their transition plan (revenue alignment). We also publish the alignment levels of our listed real estate thematic fund, an industry with the highest levels of alignment.

R-co Thematic Real Estate is the fund with the highest

18.4%

and CapEx alignment at

25.9%

R-co 4Change Green Bonds is the fund with the second highest turnover alignment at

12.5%

and CapEx alignment at

21.8%

For comparison purposes, we have chosen to publish the levels of 5 indices, including 3 that are representative of the eurozone equity market (Euro Stoxx), the american equity market (MSCI USA) and the international equity market (MSCI World); and 2 that are representative of the euro-denominated corporate bond market (IHS Markit iBoxx € Corporates) and euro-denominated High Yield(1) bond market (ICE BofA Euro High Yield).

The results for these indices vary widely for the following reasons:

- Only european companies are required to publish their taxonomy data. The proportion of companies in the MSCI World and MSCI USA indices publishing their taxonomy levels is therefore very small, compared with those in the Euro Stoxx index.

- Companies with the highest credit ratings have higher levels of taxonomy alignment, on average, than those in the High Yield category. This may indicate a lack of resources on the part of HY issuers, which are often smaller-cap companies and less advanced in their transition. Note also that the IHS Markit iBoxx € Corporates index has coverage of around 60%, while the ICE BofA Euro High Yield index has coverage of just 41%.

We can observe that the taxonomy data for our assets are relatively in line with those of standard indices. Our SFDR Article 9 funds have higher taxonomy alignment levels than their benchmark index.

(1) High Yield bonds are issued by companies or governments with high credit risk. They have credit ratings of below BBB- on the Standard & Poor's scale.

Focus on sectors and issuers

Among our investments, those with the highest turnover alignment levels under the Taxonomy are:

NACE sector*	**Average turnover alignment by sector** (%)	**Example of portfolio companies** (% turnover alignment)
Water supply; sewerage, waste management and remediation activities	62.4	Veolia Environnement (40.2)
Electricity, gas, steam and air conditioning supply	49.4	Teollisuuden Voima Oyj (99.6) Iberdrola (40.4)
Real estate activities	26.3	Altarea (46.4)
Transportation and storage	22.0	La Poste (31.7)
Construction	17.8	Adif Alta Velocidad (69)
Manufacturing	8.4	Alstom (60)

Source: MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.
* NACE, or statistical classification of economic activities in the European Community.

Among our investments, those with the highest CapEx alignment levels under the Taxonomy are:

NACE sector*	**Average CapEx alignment by sector** (%)	**Example of portfolio companies** ((% CapEx alignment)
Electricity, gas, steam and air conditioning supply	74.5	Iberdrola (88.8) EDP - Energias de Portugal (97.3)
Water supply; sewerage, waste management and remediation activities	51.0	Veolia Environnement (44.5)
Real estate activities	38.3	Altarea (72.4)
Transportation and storage	23.4	La Poste (40.6)
Construction	15.5	Adif Alta Velocidad (92.0)

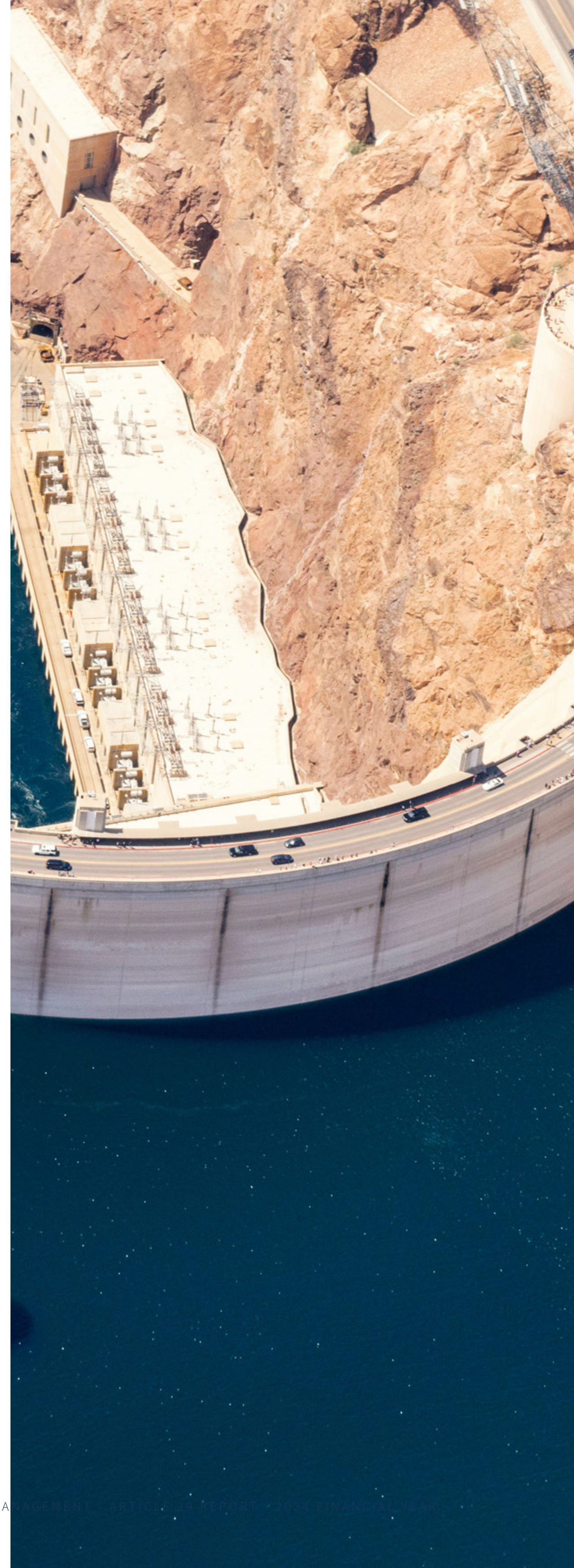
Source: MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.
* NACE, or statistical classification of economic activities in the European Community.

Taxonomy levels of our main funds by objective and type of activity
in % of turnover

Status	Fund	SFDR	AuM in EURm	**Eligibility**	o/w Mitigation	o/w Adaptation	o/w Water	o/w Circular Economy	o/w Pollution	of which Biodiversity	**Alignment**
Fund >500M	R-co Valor	8	5,822	**7.4%**	2.7%	0.0%	0.0%	0.1%	0.0%	0.0%	**1.5%**
Fund >500M	R-co Conviction Credit Euro	8	2,919	**23.5%**	18.7%	0.5%	0.1%	1.8%	0.0%	0.2%	**6.5%**
Fund >500M	RMM Court Terme	8	2,769	**23.4%**	16.6%	3.0%	0.5%	0.9%	0.1%	0.0%	**7.4%**
Fund >500M	RMM Trésorerie 6M	8	2,626	**25.8%**	20.6%	3.0%	0.2%	0.2%	0.1%	0.0%	**4.5%**
Fund >500M	R-co Target 2028 IG	8	1,962	**22.2%**	19.7%	1.0%	0.0%	1.0%	0.1%	0.1%	**5.4%**
Fund >500M	R-co Target 2029 IG	8	1,039	**29.4%**	22.7%	2.4%	0.1%	2.5%	0.1%	0.1%	**6.1%**
Fund >500M	Fonds obligataire dédié	8	1,020	**19.8%**	15.9%	0.0%	0.0%	1.0%	0.0%	0.0%	**5.0%**
Fund >500M	R-co WM World Equities RDT - DBI	6	789	**5.1%**	1.6%	0.0%	0.0%	0.3%	0.4%	0.0%	**0.5%**
Fund >500M	R-co Conviction Equity Value Euro	8	637	**34.8%**	19.1%	0.5%	0.2%	1.1%	6.4%	0.0%	**6.6%**
Fund >500M	R-co Valor Balanced	8	587	**12.8%**	8.0%	0.3%	0.1%	0.5%	0.1%	0.2%	**3.1%**
Theme-based	R-co Thematic Real Estate	8	303	**52.0%**	25.2%	3.3%	0.0%	2.7%	0.0%	0.0%	**18.4%**
SFDR Article 9	R-co 4Change Green Bonds	9	32	**26.1%**	20.7%	1.2%	0.4%	1.3%	0.0%	0.0%	**12.5%**
SFDR Article 9	R-co 4Change Inclusion & Handicap Equity	9	13	**33.1%**	16.3%	0.7%	0.0%	1.0%	0.9%	0.0%	**10.4%**
SFDR Article 9	R-co 4Change Net Zero Credit Euro	9	63	**28.1%**	23.1%	0.4%	0.4%	1.9%	0.0%	0.1%	**12.4%**
SFDR Article 9	R-co 4Change Net Zero Equity Euro	9	104	**34.3%**	16.5%	3.0%	0.0%	2.8%	4.0%	0.0%	**10.0%**
SFDR Article 9	R-co Valor 4Change Global Equity	9	85	**12.8%**	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**4.6%**
Euro equity index	Euro Stoxx	-	-	**34.2%**	17.1%	1.1%	0.1%	2.5%	2.5%	0.5%	**6.4%**
US equity index	MSCI USA	-	-	**0.0%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Global equity index	MSCI World	-	-	**3.8%**	1.5%	0.1%	0.0%	0.2%	0.2%	0.0%	**0.6%**
Euro large cap bond index	IHS Markit iBoxx € Corpo-rates	-	-	**23.7%**	16.7%	0.7%	0.1%	0.8%	0.7%	0.0%	**7.6%**
HY bond index	ICE BofA Euro High Yield	-	-	**14.2%**	9.9%	1.4%	0.1%	0.3%	1.0%	0.0%	**5.5%**

Source: MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.

of which Mitigation	of which Adaptation	of which Water	of which Circular Economy	of which Pollution	of which Biodiversity	Enabling activities	Transitional activities
1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	0.0%
6.2%	0.4%	0.0%	0.0%	0.0%	0.0%	2.7%	1.8%
6.9%	0.1%	0.1%	0.1%	0.1%	0.0%	2.6%	0.9%
4.3%	0.2%	0.0%	0.0%	0.1%	0.0%	1.5%	0.5%
5.3%	0.0%	0.0%	0.0%	0.1%	0.0%	2.0%	1.6%
5.5%	0.7%	0.0%	0.0%	0.0%	0.0%	1.9%	1.5%
5.0%	1.0%	0.1%	0.0%	0.0%	0.0%	2.6%	1.2%
0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%
6.6%	0.1%	0.0%	0.0%	0.0%	0.0%	4.0%	0.0%
2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.1%
16.6%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
11.5%	0.7%	0.3%	0.0%	0.0%	0.0%	6.0%	0.6%
10.3%	0.0%	0.0%	0.1%	0.0%	0.0%	7.4%	0.4%
11.8%	0.1%	0.3%	0.0%	0.0%	0.0%	5.2%	1.5%
9.4%	0.1%	0.0%	0.1%	0.0%	0.0%	5.7%	0.0%
4.6%	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%	0.0%
6.1%	0.1%	0.0%	0.1%	0.0%	0.0%	4.2%	0.2%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%
7.3%	0.2%	0.1%	0.0%	0.0%	0.0%	4.1%	0.8%
5.4%	0.1%	0.0%	0.0%	0.1%	0.0%	2.9%	0.5%

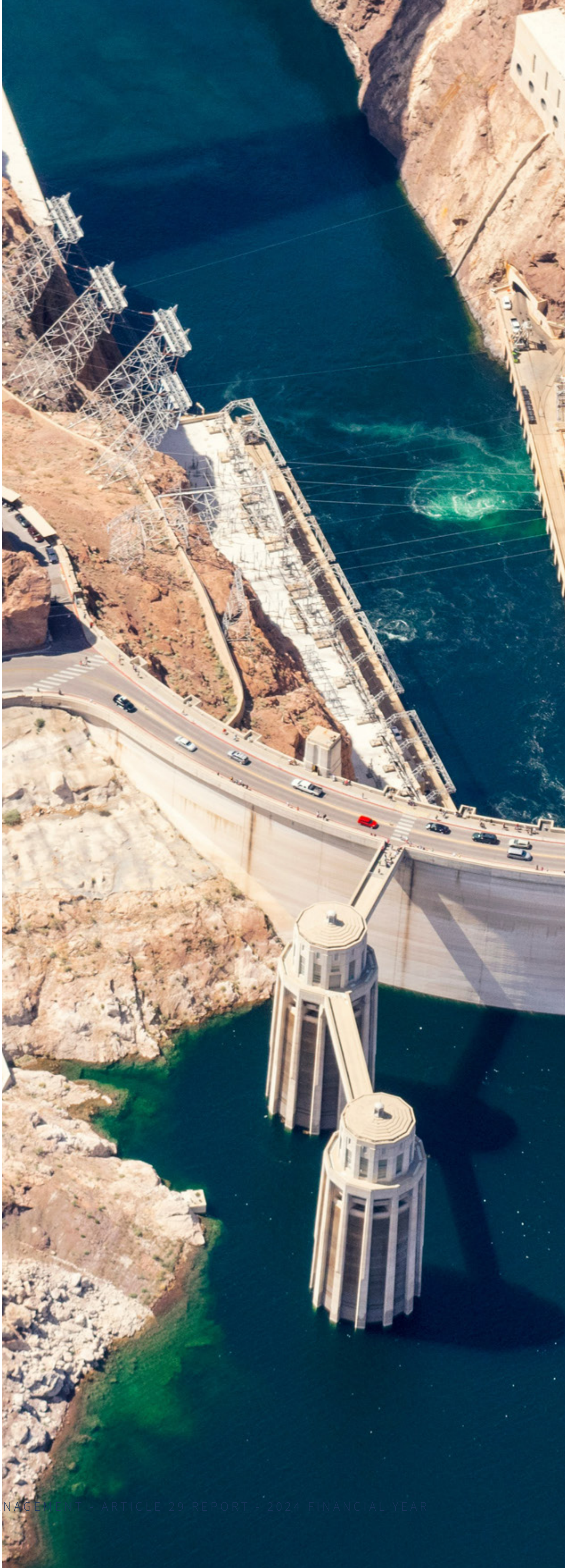


Taxonomy levels of our main funds by objective and type of activity
in % of CapEx

Status	Fund	SFDR	AuM in EURm	**Eligibility**	o/w Mitigation	o/w Adaptation	o/w Water	o/w Circular Economy	o/w Pollution	of which Biodiversity	**Alignment**
Fund >500M	R-co Valor	8	5,822	**8.7%**	4.1%	0.1%	0.0%	0.0%	0.0%	0.0%	**2.0%**
Fund >500M	R-co Conviction Credit Euro	8	2,919	**24.4%**	18.7%	0.7%	0.2%	1.0%	0.1%	0.0%	**7.6%**
Fund >500M	RMM Court Terme	8	2,769	**29.9%**	21.0%	2.4%	0.9%	0.5%	0.3%	0.0%	**12.1%**
Fund >500M	RMM Trésorerie 6M	8	2,626	**29.4%**	22.8%	0.4%	0.4%	0.1%	0.1%	0.0%	**6.8%**
Fund >500M	R-co Target 2028 IG	8	1,962	**24.8%**	21.8%	0.6%	0.0%	0.5%	0.1%	0.1%	**7.7%**
Fund >500M	R-co Target 2029 IG	8	1,039	**30.5%**	21.8%	2.5%	0.1%	2.0%	0.1%	0.0%	**7.1%**
Fund >500M	Fonds obligataire dédié	8	1,020	**21.8%**	17.3%	0.6%	0.0%	0.5%	0.0%	0.0%	**6.9%**
Fund >500M	R-co WM World Equities RDT - DBI	6	789	**5.2%**	2.6%	0.1%	0.0%	0.2%	0.4%	0.0%	**0.9%**
Fund >500M	R-co Conviction Equity Value Euro	8	637	**44.2%**	28.5%	3.6%	0.3%	1.5%	6.4%	0.0%	**12.1%**
Fund >500M	R-co Valor Balanced	8	587	**15.2%**	9.8%	0.6%	0.1%	0.4%	0.1%	0.0%	**4.8%**
Theme-based	R-co Thematic Real Estate	8	303	**51.8%**	24.5%	6.6%	0.0%	0.1%	0.0%	0.0%	**25.9%**
SFDR Article 9	R-co 4Change Green Bonds	9	32	**35.0%**	25.8%	4.0%	0.9%	0.3%	0.1%	0.0%	**21.8%**
SFDR Article 9	R-co 4Change Inclusion & Handicap Equity	9	13	**34.2%**	21.0%	1.7%	0.0%	1.1%	0.1%	0.0%	**14.6%**
SFDR Article 9	R-co 4Change Net Zero Credit Euro	9	63	**37.4%**	30.8%	3.9%	0.7%	0.6%	0.0%	0.0%	**20.2%**
SFDR Article 9	R-co 4Change Net Zero Equity Euro	9	104	**43.6%**	27.7%	5.6%	0.0%	2.5%	4.0%	0.0%	**17.0%**
SFDR Article 9	R-co Valor 4Change Global Equity	9	85	**16.1%**	9.4%	0.0%	0.0%	0.0%	0.0%	0.0%	**6.5%**
Euro equity index	Euro Stoxx	-	-	**39.4%**	25.8%	1.6%	0.1%	1.7%	2.5%	0.0%	**11.7%**
US equity index	MSCI USA	-	-	**0.1%**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Global equity index	MSCI World	-	-	**4.2%**	2.3%	0.1%	0.0%	0.1%	0.2%	0.0%	**1.1%**
Euro large cap bond index	IHS Markit iBoxx € Corporates	-	-	**28.4%**	19.7%	0.7%	0.2%	0.5%	0.5%	0.0%	**12.3%**
HY bond index	ICE BofA Euro High Yield	-	-	**17.7%**	12.3%	0.3%	0.2%	0.3%	0.7%	0.0%	**7.6%**

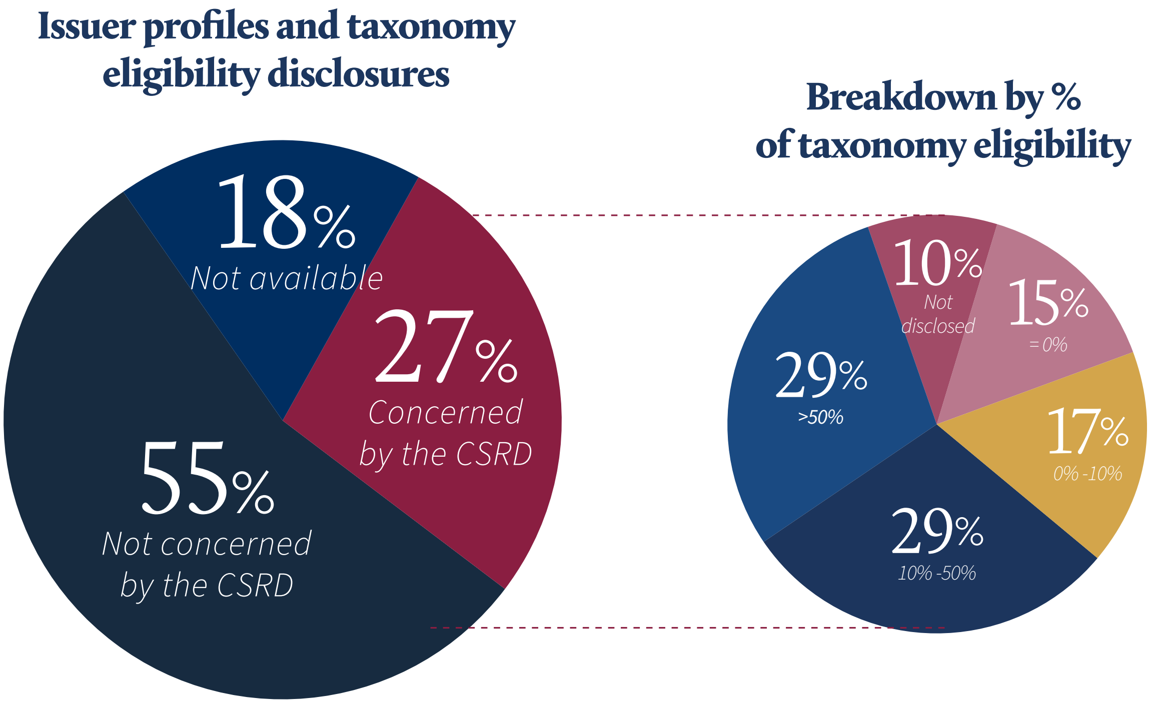
Source: MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.

of which Mitigation	of which Adaptation	of which Water	of which Circular Economy	of which Pollution	of which Biodiversity	Enabling activities	Transitional activities
1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	0.0%
7.3%	0.2%	0.0%	0.0%	0.0%	0.0%	3.4%	1.6%
10.1%	0.9%	0.0%	0.0%	0.0%	0.0%	4.4%	0.9%
6.0%	0.9%	0.0%	0.0%	0.0%	0.0%	3.1%	0.4%
7.6%	0.2%	0.0%	0.0%	0.1%	0.0%	3.4%	1.9%
6.6%	1.5%	0.0%	0.0%	0.0%	0.0%	3.2%	1.4%
6.1%	0.3%	0.0%	0.0%	0.0%	0.0%	2.8%	0.7%
0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.0%
11.5%	0.8%	0.0%	0.0%	0.0%	0.0%	4.7%	0.5%
4.0%	0.1%	0.0%	0.0%	0.0%	0.0%	2.0%	0.2%
23.9%	6.9%	0.0%	0.0%	0.0%	0.0%	1.0%	1.8%
20.3%	3.1%	0.8%	0.0%	0.0%	0.0%	10.1%	0.7%
14.2%	1.7%	0.0%	0.0%	0.0%	0.0%	8.0%	1.3%
19.2%	2.8%	0.5%	0.0%	0.0%	0.0%	8.1%	1.6%
16.1%	0.9%	0.0%	0.1%	0.0%	0.0%	8.2%	0.2%
6.4%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	0.2%
11.3%	0.3%	0.0%	0.0%	0.0%	0.0%	6.0%	0.6%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.1%
11.7%	0.5%	0.1%	0.0%	0.0%	0.0%	6.0%	1.0%
7.1%	0.1%	0.0%	0.0%	0.0%	0.0%	3.6%	0.5%



Limits and opportunities

It is interesting to note that 36% of our total AuM are invested in issuers that are not subject to the CSRD (33%) or in types of assets that are excluded from the scope covered (cash or derivatives - 3%). We can therefore consider that 64% is a maximum level of alignment that cannot be exceeded on a constant allocation basis. Issuers whose registered addresses are located outside the European Union are not subject to the Taxonomy as it is a European regulation. Consequently, non-European issuers in which we invest tend to not disclose their taxonomy metrics.



Source: MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.

All European issuers concerned by the disclosure of taxonomy data have had to disclose such data for 2024.

Among our 1,546 issuers in position as of 31/12/2024, 27% are concerned by the non-financial performance reporting requirement under the CSRD, of which 90% have published their turnover alignment.

In comparison with the previous year:

- Regarding issuers not eligible for CSRD, their share among our issuers has increased: they accounted for 41% of our issuers in 2023 and now 55% in 2024.
- As regards issuers concerned by the CSRD, we noted the following:
  - The share not disclosing taxonomy data according to MSCI ESG Research fell from 25% to 10%; this shows that issuers complied with their reporting obligations
  - The share reporting zero eligibility fell from 25% to 15%
  - The share of issuers reporting 10% to 50% eligibility rose from 14% to 29%
  - The share of issuers reporting more than 50% eligibility rose from 21% to 29%.

Ambitions

The improved coverage rates and eligibility levels reported by issuers in 2024 suggest that it might be possible to **review the minimum turnover alignment levels set** for some of our portfolios. In 2024, such reviews were carried out for our two Net Zero funds.

We firmly believe that the Taxonomy is the best tool available to ensure homogeneity and to objectively assess an activity's contribution to the transition, thereby guaranteeing better comparability between financial products. The Taxonomy also makes it possible to recognise the efforts made and to be made in the future by various industries and economic agents, which we have sought to support through our investments and transition oriented approach. **This is why, amidst all the uncertainty surrounding the Omnibus directive, we are trying to promote the European Taxonomy, for instance within the AFG. To this day, we remain attentive to the developments regarding European corporate reporting obligations which are due to take effect in 2026.**

The Taxonomy remains essential to our approach to sustainability. It is indeed among the pillars upholding our analysis of transition plans and also one of the main themes of the engagement initiatives we carry out with our investee companies.

Lastly, we are working to incorporate taxonomy eligibility and alignment levels into our operating systems so that we can calculate them automatically and publish them in our monthly ESG reports as of 2025.

Fossil fuels, a sector "of" and "in" transition

“We're convinced that by working alongside companies from all sectors we will be able to achieve more significant progress.”

05

Energy sector and business model transformation

At Rothschild & Co Asset Management, we believe that in order to significantly reduce greenhouse gas emissions, we have no choice but to take an interest in the companies that emit the most. This is why it seems essential for us to include in our funds carbon-intensive issuers that are in the process of thoroughly transforming their business models. We believe that structured engagement gives investors an opportunity to raise a company's awareness and encourage it to adopt investment plans that will speed up and lend credibility to its Paris Agreement alignment strategy. We firmly believe that by working alongside companies from all sectors, we can achieve more significant progress.

Participation in financial industry initiatives and commitments to exacting frameworks

2020

urgewald

—

Investment principles relating to thermal coal based on the Global Coal Exit List compiled by the NGO Urgewald

—

Exclusions relating to unconventional oil and gas for our Towards Sustainability labelled products and other dedicated products

2021

AFG

—

Member of the AFG working group on fossil fuels

The Net Zero Asset Managers initiative

—

Member of the Net Zero Asset Managers Initiative

2022

—

Adoption of stricter principles for investing in thermal coal

—

Formalisation of guidelines for investing in fossil fuels

INVESTORS FOR A JUST TRANSITION

—

Founding member of the Investors for a Just Transition coalition and member of the 'Energy' sub-group

2023

INSTITUT DE LA FINANCE DURABLE PARIS EUROPLACE

—

Member of the Fossil Fuel Trajectory working group

urgewald

—

Use of NGO Urgewald's Global Oil & Gas Exit List for funds carrying the Towards Sustainability label

2024

urgewald

—

Lower thresholds adopted for our thermal coal exclusion policy, in accordance with Urgewald's methodology

—

Further progress on the global coal exit calendar

Label ISR

—

Compliance of some of our SRI-labelled funds with the new "V3" french SRI label, including strict rules for the fossil fuel sector

The renewable energy sector has experienced a series of more or less favourable economic and geopolitical cycles over the past five years.

In 2021, notably 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.

Europe's energy crisis in 2022, triggered by the Russia-Ukraine conflict and the decline in gas supplies from Russia, highlighted the fact that some countries are heavily dependent on fossil fuels and that Europe needs to diversify its energy mix further. The sector therefore enjoyed a boom that year.

2023, a year marked by high inflation and further interest rate hikes, was particularly difficult for the renewables sector. Such complex economic circumstances eroded the profitability of major renewable energy deployment contracts, 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.

Since late 2024, Donald Trump's return to the White House has raised concerns about US climate policy. These include concerns about his "drill, baby, drill" pledge in favour of oil and gas producers, mainly to ensure that the USA maintains a competitive edge thanks to cheap energy. That being said, we are not convinced that the companies or their investors are keen on oil prices falling too steeply, especially as the investments made to develop renewable energies under the IRA have largely benefited Republican states. To date,

renewable energy continues to offer the most attractive return profile, including in the USA. Nonetheless, offshore wind has just been brought to a standstill due to the suspension of new permit deliveries. Last of all, it seems unlikely that the USA will decide to steer clear of such a growing sector currently dominated by China.

China is indeed investing massively in renewable energies as a means of tackling its energy dependence. Europe, meanwhile, continues to make necessary progress on developing green energies for reasons of sovereignty and competitiveness. Its energy mix has changed considerably, and this momentum gives us reason for optimism as companies are managing to hold their course, even though Europe is struggling to put its financing plans into action.

By diversifying our investments in the energy sector and selecting companies with robust transition plans, we are able to combine performance with credible sustainability trajectories for our portfolios.
We are pursuing our engagement initiatives in this sector in order to support these companies stay on course and to prevent downward revisions to certain commitments.

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

PAI 4 "Exposure to companies active in the fossil fuel sector" is one of the principal adverse impacts defined in the SFDR and provides the most conservative view possible. The metric indicates the proportion of our investments 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 derive from these activities. The indicator has a coverage rate of close to 80%.

Au 31/12/2024 :

Direct exposure (via invested issuers):
1,499 million euros, i.e.

4.2%
of total AuM
down 1.1 point year-on-year

Indirect exposure (via invested funds):
430 million euros, i.e.

1.2%
of total AuM
up 0.1 point year-on-year

Source: MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.

ZOOM IN

Focus on thermal coal

Our thermal coal investment principles

Through our common exclusion framework, which we apply to all our investment vehicles, we have set guidelines for investing in the thermal coal sector since October 2020. These are part of the global 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 review the thresholds in accordance with the NGO Urgewald's recommendations so that we remain on track with the global coal exit calendar. As such, the following principles were established:

- We will no longer lend to or invest in companies that are involved in projects developing new thermal coal mines, thermal coal-fired power plants or infrastructures;
- We will no longer invest in or provide new financing for companies with:
  - more than 10% of revenues derived from activities directly related to thermal coal;
  - more than 10% of the energy mix (per megawatt produced) derived from coal;
  - annual thermal coal production exceeding 10 megatons (MT) per year;
  - installed coal-fired capacity exceeding 5 gigawatts (GW);
  - more than 50% of revenues derived from service or infrastructure activities related to thermal coal.

Where companies are not involved in developing new thermal coal capacity but are exposed to thermal coal in excess of defined thresholds, we continue on a case-by-case basis to financially support companies implementing a coal exit strategy: evidence, preferably publicly available, of a commitment to implementing such a strategy aligned with the global coal exit calendar and addressing the social impacts generated by this transition should be disclosed along with quantitative elements, demonstrating the credibility of their commitments. These elements include, among others, a phase-out timetable (planned exit date, phases and closures), the business strategy and social safeguards put in place, progress updates and the existence of external recognition and/or a reference framework.

For the purposes of our engagement policy, we hold discussions with companies that are exposed to thermal coal in order to ensure that their exit plans are on track.

We apply exclusions to the parent company and its subsidiaries. Investments in green bonds are authorised if they respect the International Capital Market Association (ICMA) framework or are compliant with European EU GB standards and are 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 active in the thermal coal sector through investments made in our portfolios:

- **Companies identified in NGO Urgewald's Global Coal Exit List,** above the aforementioned thresholds in terms of revenue, energy mix, annual production or installed capacity**:**
  - Direct exposure to the value of these companies: €153 million, **i.e. 0.4% of total AuM** – a 0.03-point reduction over the financial year

These companies in which we are invested have a credible plan for phasing out coal according to our analysis and the criteria defined. The plan is monitored in order to ensure that it is on track. The proportion of our investments towards these companies fell slightly over the course of the financial year.

- Companies with links to thermal coal via reserves held and electricity generated:
  - Direct exposure: €790 million, **i.e. 2.2% of total AuM** – a 0.1-point reduction over the financial year
  - Indirect exposure (funds): €137 million, **i.e. 0.4% of total AuM** – a 0.1-point reduction over the financial year
- Exposure weighted by the revenue derived by the company from this activity:
  - Direct exposure: €37 million, **i.e. 0.1% of total AuM** – stable over the financial year
  - Indirect exposure (funds): €13 million, **i.e. 0.04% of total AuM** – a 0.02-point reduction over the financial year

Through these various indicators, we wish to highlight that the companies active in the thermal coal sector in which we have invested – corresponding to 2.2% of our AuM – in fact derived only a marginal proportion of their revenues from this activity in 2024 – corresponding to 0.1% of our AuM. These figures thus demonstrate how this activity and this resource are being diluted in the business models and energy mixes of companies making the transition and implementing their plan to phase out thermal coal.

The portion of thermal coal exposures in our investments remained broadly stable from the previous year. Absolute amounts increased but only to the same degree as the increase in our assets under management during this period.

Source: Urgewald, MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.

ZOOM IN

Focus on fossil oil and gas

Our guiding principles for investing in fossil oil and gas

Our approach to fossil fuels is a long-term one as we want to support economic actors throughout the course of their climate transition. We are aware of the negative contribution that issuers involved in fossil fuel activities make to climate and biodiversity issues, and so we analyse their trajectory in order to assess the potential, capacity and feasibility of transforming their business models towards less carbon-intensive activities.

Rather than simply assigning a score, we aim to evaluate the company's overall environmental profile based on the following key factors:

- Energy mix of production capacity and breakdown of revenues;
- Level of involvement in unconventional fuels;
- Pipeline of new projects;
- Low-carbon capex.

The above parameters interacts with our assessment of the company's climate strategy through our transition grid, making it possible for us to assess their credibility and robustness on six pillars:

- Governance of climate and just transition issues;
- Transparent reporting of greenhouse gas emissions;
- Public climate pledges;
- Robustness of environmental objectives;
- Metrics and investments;
- Results achieved in terms of transition.

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

We seek to engage in dialogue with these companies on a regular basis in order to monitor their actual trajectories, particularly as regards the factors referred to above. This is also an opportunity for us to understand the strategic significance of the climate approach within the company and the challenges faced, and also to encourage them to formalise their greenhouse gas (GHG) emission reduction targets (all scopes included) by 2050, according to a scenario aligned with the Paris Agreement and a science-based methodological framework.

Exposure to oil and gas

- Companies identified in the NGO Urgewald's Global Oil & Gas Exit List:
  - Direct exposure to the company's value: €1,354 million, **i.e. 3.8% of total AuM** – down 0.4 point over the financial year
- Companies active in the oil and gas sector:
  - Direct exposure weighted by the revenue derived by the company from oil & gas: €854 million, **i.e. 2.4% of total AuM** – down 0.6 point over the financial year

Exposure to companies on Urgewald's list and revenue-weighted exposure fell during the period. This is directly attributable to reductions in certain positions on companies that are fully involved in the oil and gas sector over the course of 2024.

ZOOM IN

Focus on unconventional and conventional oil and gas

We publish a breakdown by type of oil and gas activity for activities **upstream of the value chain**, i.e. the mining and production of oil and gas.

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

- Direct exposure to the value of these companies: €346 million, **i.e. 1.0% of total AuM** – down 0.8 point over the financial year
- Direct exposure to producing companies, weighted by the revenue derived from these activities: €12 million, **i.e. 0.03% of total AuM** – down 0.9 point over the financial year

02 **Companies producing conventional oil and gas:**

- Direct exposure to the value of these companies: €500 million, **i.e. 1.4% of total AuM** – down 0.8 point over the financial year
- Direct exposure to producing companies, weighted by the revenue derived from these activities: €171 million, **i.e. 0.5% of total AuM** – stable over the financial year

Source: Urgewald, MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.

Note on methodology:

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

For some of the exposure levels presented, MSCI ESG Research does not provide funds' data. The data obtained from Urgewald is not rendered transparent for our fund investments.

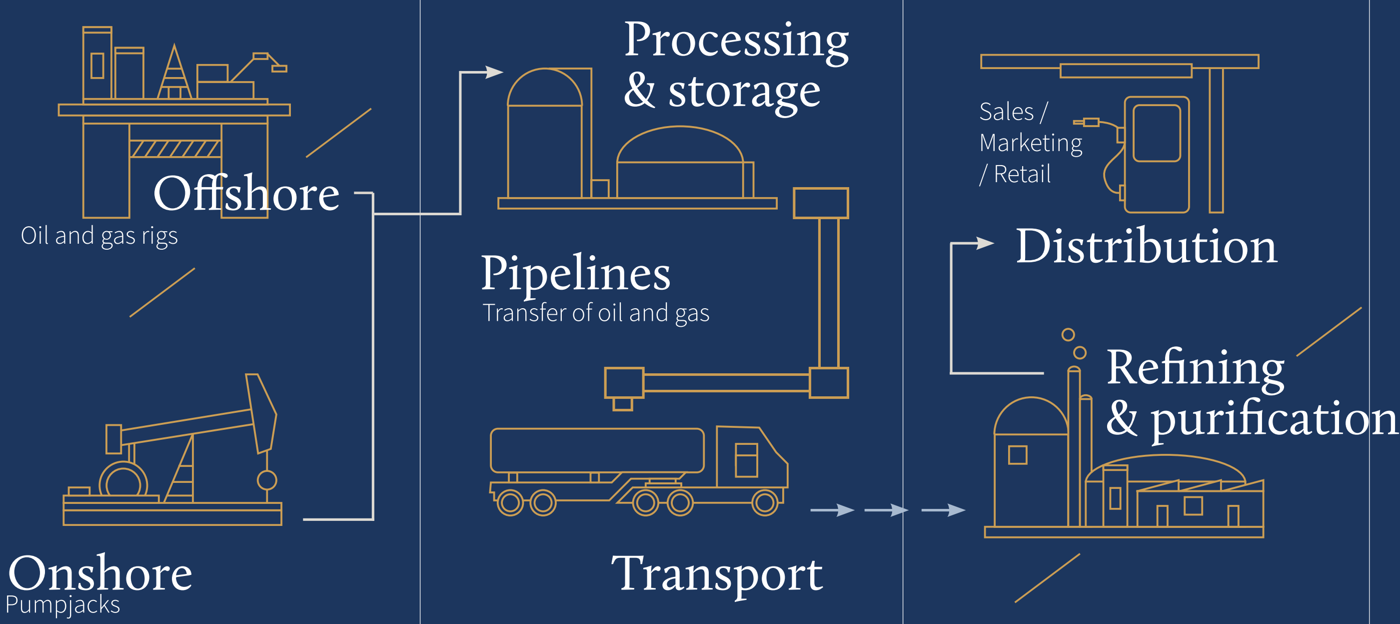
Exposure is always expressed in absolute terms and then as a percentage of our total AuM, direct and indirect (funds) investments.

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

- Exposure calculated based on the value of companies deriving revenues greater than zero from this sector
- Exposure re-weighted according to the revenue derived by each company from fossil fuel activities

The fossil fuel value chain

UPSTREAM	MIDSTREAM	DOWNSTREAM
UPSTREAM Exploration and production of oil and gas	**MIDSTREAM** Transport & storage	**DOWNSTREAM** Preparation and use of 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 from the upstream sector via a network of pipelines, trucks, railways, ships, tanks and barges to the downstream sector.	The downstream sector focuses on the refining of crude oil and purification of natural gas. It is also the sector where sales, marketing, product distribution and retailing take place. It is therefore the sector that is most closely connected with consumers.



Definition of unconventional oil and gas
The definition of unconventional oil and gas includes the mining of oil sands, shale oil, coalbed gas and shale gas.

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

Focus on our engagement activities with these companies

Engagement with companies active in the thermal coal sector

In financial year 2024: 16 questions to 11 issuers (of which 56% with an identified area for improvement)

Since 2021: 32 questions to 18 issuers (of which 72% with an identified area for improvement)

Engagement with companies active in the oil and gas sector

In financial year 2024: 39 questions to 7 issuers (of which 28% with an identified area for improvement)

Since 2021: 152 questions to 19 issuers (of which 30% with an identified area for improvement)

Engagement with companies in the utilities sector

In financial year 2024: 39 questions to 18 issuers (of which 28% with an identified area for improvement)

Since 2021: 92 questions to 27 issuers (of which 20% with an identified area for improvement)

Utilities that contribute most to our exposure to fossil fuels (PAI 4)

Utilities	Thermal coal-fired electricity generation (% turnover)	Taxonomy alignment 2024 (turnover)	Taxonomy alignment 2024 (CapEx)	Number of interactions 2021 - 2024	Number of interactions 2024	Vote - Say on Climate
Iberdrola	0%	55.8%	89.0%	**8**	**3**	Not applicable
Engie	0.3%	19.0%	62.0%	**3**	**3**	"For" - 2022 Planned for 2025
Floene Energias	N/A	Not eligible	Not eligible	**0**	**0**	-

Each of these companies had their climate transition plan analyzed in detail using the proprietary grid we rolled out in 2023. Here is a summary:

IBERDROLA

Iberdrola: Iberdrola has a solid transition plan. Its governance is well structured and incorporates ESG issues through a dedicated committee. ESG/CSR issues are factored into executive variable pay packages, both short term and long term. Moreover, Iberdrola provides details about training programmes tailored to members of its board of directors. In general, the company integrates climate transition into its governance effectively, but it could make further improvements by appointing a head of CSR to the Executive Committee or by putting forward a say-on-climate resolution. Meanwhile, its reporting is extensive and transparent. Its climate pledges are solid and have been validated for the short term and long term by the SBTi and TPI under a 1.5-degree scenario. Iberdrola has removed coal from its energy mix as the company no longer operates any coal-fired power plants. Its mix consists mainly of renewable energies. Indeed, it is diversifying into alternative energies such as green hydrogen. Its decarbonization pathway is supportede by a high level of Taxonomy-aligned CapEx (89%). All these measures are coherent and have helped the company reduce its GHG emissions intensity in recent years.

Engie: Management is closely involved through a well-established CSR department, which led to a say-on-climate vote being on the agenda of the Annual General Meeting in 2022. Engie has since updated its climate transition plan, which will again be submitted for a vote in 2025. The group has stepped up its decarbonisation strategy, which has already been validated by the SBTi and TPI. It has lent more credibility to its commitment to be Net Zero by 2045 by adopting targets for all emission scopes (Scopes 1, 2 and 3) and also for methane, and by adding intermediate steps in 2035 and 2045. The strategy is supported by capital expenditure (capex) allocated mainly to the development of renewable energies and gas, of which 62% is aligned with the Taxonomy. Engie confirms that it aims to exit coal by 2027, in accordance with the global calendar. Lastly, Engie's absolute carbon emissions have fallen over the last 4 years supporting the achievement of its initial targets set for 2030. It is important to note that Engie stands out from its peers as it addresses just transition issues with detailed explanations in its Universal Registration Document.

Floene Energias: The Floene Group is Portugal's leading gas distribution network as it holds direct interests in and manages 9 regional distribution companies. Floene has made significant progress towards sustainability with a clear commitment from its management and a well-structured governance. Its active role in the energy transition is reflected by the gradual integration of its CSR strategy into that of the group, by the fact that it has achieved 33% of its carbon roadmap, and by its efforts to upgrade its network in order to include renewable gases (hydrogen, biomethane). Its disclosure of Scope 1, Scope 2 and now Scope 3 emissions is a big step towards greater transparency. However, although the company has set emission reduction targets for the short term, they have not yet been scientifically validated and it has yet to reinforce them with long-term commitments, especially on Scope 3 emissions. Validation by the SBTi would lend more credibility to the company's climate objectives.

Energy majors that contribute most to our exposure to fossil fuels (PAI 4)

Energy	Extraction and production of oil and gas (% turnover)	Taxonomy alignment 2024 (turnover)	Taxonomy alignment 2024 (CapEx)	Number of interactions 2021 - 2024	Number of interactions 2024	Vote - Say on Climate
Schlumberger	6.0%	Not eligible	Not eligible	**4**	**1**	Not applicable
Eni	11.6%	0.9%	7.9%	**3**	**2**	Not applicable
TotalEnergies	4.8%	1.9%	15.5%	**22**	**5**	"Abstention" - 2024 "For" - 2023 "Abstention" - 2022 "Against" - 2021

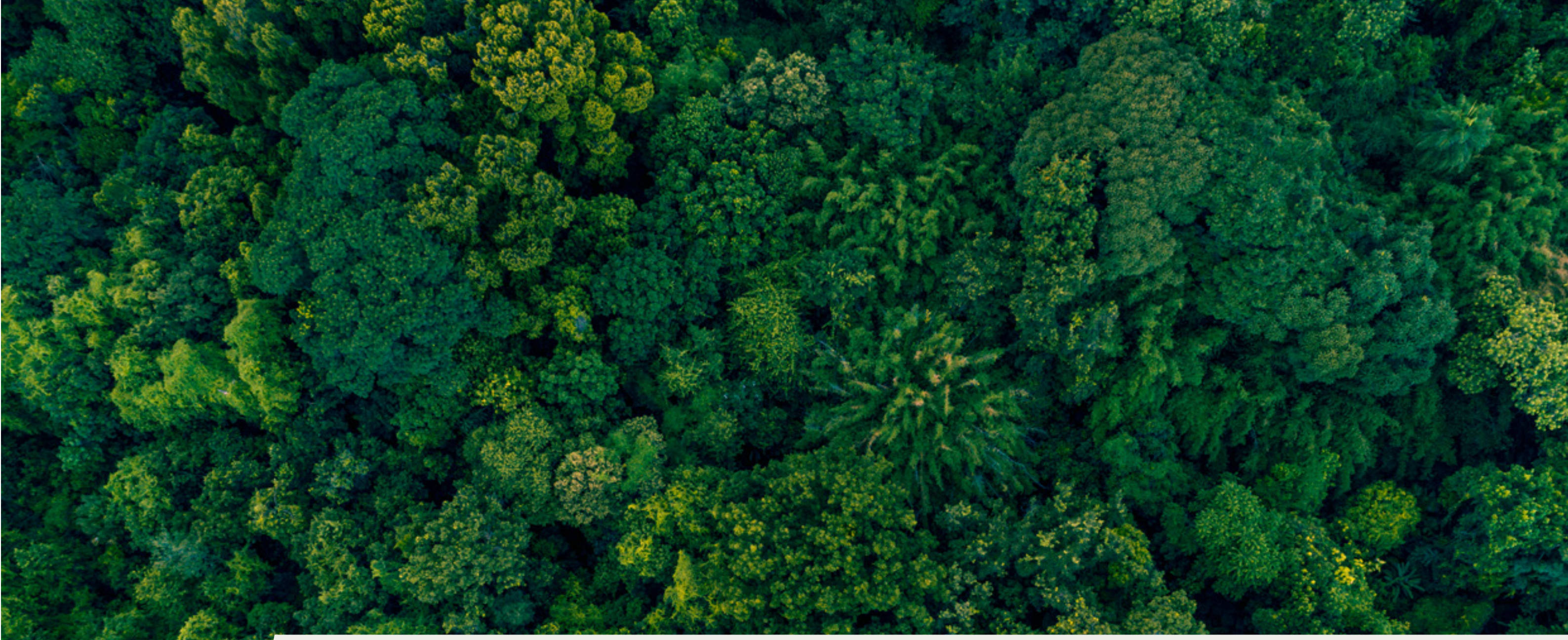
Source: MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024.

Each of these companies underwent a detailed analysis of its climate transition plan. Here is a short summary:

Schlumberger (SLB): It has made particularly good progress on its transition strategy as a whole, even though its governance is marginally undermined by a lack of non-financial criteria factored into its long-term variable compensation packages and a lack of say-on-climate resolutions on its decarbonisation strategy. Schlumberger provides exhaustive reporting on its Scope 1, 2 and 3 GHG emissions, as well as its avoided emissions (Scope 4). It has set short-term and medium-term targets for its trajectory towards Net Zero by 2050 across its entire value chain. Although there is little transparency on the capex it has already earmarked or plans to earmark for low-carbon activities, many solutions are being developed to decarbonise the industry, for instance to reduce methane emissions from flaring or to develop CCUS carbon offset or storage solutions financed by the Inflation Reduction Act (IRA), a vital aspect of funding for the energy transition in the USA. Lastly, SLB announced in October 2024 that it was selling its interests in the Palliser Block in Alberta (Canada) which include wells and certain oil and gas development rights. We had requested and discussed this sale with the company on several occasions.

ENI: The group has a transition plan with reduction targets covering all emission scopes over the medium and long term. Its long-term targets are considered to be aligned with a 1.5°C pathway according to the Transition Pathway Initiative (TPI). These targets were revised upwards in 2024. The trajectory of its GHG emissions reduction, particularly those of scope 3, is encouraging. Its GHG emissions have trended downwards over the past five years. ENI's trajectory towards Net Zero in 2050 is based on an industrial and technological transformation plan rolled out in the form of two distinct and complementary strategic initiatives: Natural Resources to promote the sustainable management of natural resources and energy efficiency of its fossil activities, with a particular focus on natural gas; and Energy Evolution to transform the energy mix from fossil fuels to renewable energies and biofuels. Plenitude, a subsidiary focused on energy services, and Enilive, a subsidiary dedicated to transforming mobility including biochemicals and biofuels, both play a key role for the group. Some 30% of the group's capex budget between now and 2026 will be allocated to low-carbon projects with the figure rising to 70% in 2030, although taxonomy-aligned capex only accounts for 8% of the total at this stage. Despite management's close involvement in climate issues, the company has no plans to submit a say-on-climate resolution for the time being.

Total Energies: The implementation of its transition plan is based on a governance that takes ESG and climate issues into account robustly, notably through a management remuneration policy, the holding of Say On Climate at the annual general meeting, and finally, the effective integration of the CSR strategy within the various governance bodies, despite a high concentration of these issues at the senior management level. In addition, the group's objectives take the entire value chain into account. TPI has validated the company as being aligned with short and medium-term national plans and with a long-term <2° pathway. TotalEnergies recently raised its carbon emission reduction targets (Scopes 1 and 2) and its methane reduction targets. The group has brought in a whole series of measures to effectively reduce the lifecycle carbon intensity of its energy products sold (Scopes 1, 2 and 3), whose effects are reflected in the levels observed. However, it has yet to demonstrate an ambition to reduce its absolute Scope 3 carbon emissions. Where the Taxonomy is concerned, turnover alignment levels are still only marginal (2%) and CapEx alignment fell according to the group's 2024 disclosures from 26% to 16%.



Ambitions

The share of direct investments we make in companies operating in the fossil fuel industry has fallen over two consecutive years, and this includes thermal coal, oil and gas (unconventional and conventional) activities. **Our ambition is to continue deploying our climate transition plan analysis framework applied to invested companies, particularly in this sector, whose involvement is essential to meeting the objectives set by the Paris Agreement.** Our analytical framework enables us to select the issuers that are best placed to achieve a successful transition.

These analyses are accompanied with a significant engagement effort to assist companies, understand their strategies and challenge them, spread best practices, help them set relevant targets, and also hold discussions with them at key moments such as during the AGM season.

We continue to keep a close eye on developments in the sector and also on best practices in the area of sustainable investment. In 2023, investment constraints became stricter under certain voluntary frameworks such as national labels (SRI, Finansol and Towards Sustainability). For our funds that implement sustainability strategies, we have complied with these frameworks which has involved selling certain positions held in thissector. In 2024, regulatory restrictions became more stringent for investing in fossil fuels, in hydrocarbon production and extraction, but also in fossil fuel-fired power generation. Also in 2024, the European Securities and Markets Authority (ESMA) published fund naming guidelines. “Green” and “sustainable” funds must now apply restrictive exclusions to these sectors. **In line with our approach, ‘transition’ funds are exempt from any exclusion, based on the conviction that the energy transition cannot happen without supporting those players.** These reference frameworks and regulations are being reinforced to gain credibility toward the public, and they seek to shield market players from any accusations of greenwashing.

We can see something similar happening with our institutional clients, which are issuing new requirements. Some are rolling out climate roadmaps, and we support them execute them in their dedicated portfolios. The measures taken may consist of exclusions but also of bespoke analyses, oversight and monitoring. **In general, we endeavour to increase transparency and reporting, whether for their dedicated investment vehicle or for the open-ended funds in which they are invested.**

Our path towards alignment with the Paris Agreement

“Our philosophy is to take sustainable action for the climate by transforming company business models.”

06

Our guiding principles for reducing GHG emissions

At Rothschild & Co Asset Management, we have opted for the transition approach , considering that in order to significantly reduce GHG emissions and comply with the Paris Agreement, we cannot overlook the companies that emit the most.

Current resources and tools

- **Investment principles**
  - Regarding the thermal coal sector, in accordance with the global coal exit calendar;
  - For investing in fossil fuels;

- **The integration in the analysis**
  - Consideration of climate data via MSCI ESG Research and Carbon4 Finance;
  - SBTi (Science-Based Targets initiative) external reference framework and TPI (Transition Pathway Initiative);
  - A proprietary analytical framework assessing the credibility and robustness of an issuer's transition plan.

- **A key theme of our engagement initiatives:** we engage in dialogue with issuers to discuss the climate transition and just transition themes;
- **Physical and transition climate risks included in the risk map** using an indicator of a company's potential loss of market value under a given extreme climate scenario: Climate Value at Risk.

Alignment indicators and metrics currently under consideration

- Carbon intensity, measured in tons of CO_2 equivalent emissions per million euros of revenue;
- Portfolio transition profile included in ESG reporting: SBTi reduction targets ('Target Set' and 'Committed'), exposure to stranded assets;
- Turnover and CapEx Taxonomy alignment levels;
- Principal adverse impacts relating to carbon emissions described in detail for all 3 scopes, in order to gain a better understanding of each source of emissions;
- Implied temperature rise, a complementary indicator of the potential contribution to global warming and of the deviation from the Paris Agreement target scenario.

Climate indicators are monitored monthly via our ESG reports, quarterly by our risk committee, every half year as part of our analysis of the issuers most at risk according to our sustainability risks map, and annually in our Article 29 Energy-Climate Law report. Such monitoring allows us to capture the evolutions related to our transitional positioning and to the trajectories of our underlying investments. It helps to determine our approach to engagement.

Scope	AuM (€m)	PAI 1 – Absolute greenhouse gas emissions Scope 1	Scope 2	Scopes 1 & 2	Scopes 1, 2 & 3	Scope 1
R-co Valor	5,822	11,0133	39,479	149,612	1,529,242	24 (5)
R-co Conviction Credit Euro	2,919	71,545	21,850	93,395	1,016,966	31 (-36)
RMM Court Terme	2,769	113,180	22,320	135,500	755,262	54 (-19)
RMM Trésorerie 6M	2,626	42,554	11,086	53,640	624,709	19 (-17)
R-co Target 2028 IG	1,962	152,444	24,976	177,420	1,462,066	85 (-5)
R-co Target 2029 IG	1,039	53,487	10,425	63,911	447,106	57
OPC obligataire dédié	1,020	28,342	5,084	33,425	433,808	31 (-8)
R-co WM World Equities RDT - DBI	789	13,302	4,748	18,050	241,530	18
R-co Conviction Equity Value Euro	637	125,559	11,179	136,738	503,488	198 (-34)
R-co Valor Balanced	587	32,642	5,550	38,192	234,179	68
R-co 4Change Net Zero Equity Euro	104	4,110	787	4,897	40,710	40 (-29)
R-co 4Change Net Zero Credit Euro	64	2,086	669	2,755	22,663	34 (-5)
Total AuM - Rothschild & Co Asset Management	**35,702**	**1,486,854**	**311,511**	**1,798,366**	**13,409,010**	**50 (-14)**
Euro Stoxx		-	-	-	-	53 (-18)
MSCI World		-	-	-	-	37 (1)
MSCI USA		-	-	-	-	25
Bloomberg PAB Europe		-	-	-	-	7 (1)
IHS Markit iBoxx € Corporates		-	-	-	-	54 (-11)
ICE BofA Euro High Yield		-	-	-	-	92 (-7)
MSCI Corporate Bond SRI PAB						32 (-2)
Units and source	Millions of euros (€m)	Tonnes of CO_2 equivalent - MSCI ESG Research				

Sources: Rothschild & Co Asset Management, MSCI ESG Research, Carbon 4 Finance, 31/12/2024

In brackets, change compared with 2023 year-end figures, except for funds whose assets under management were no more than €500m last year and indices for which we do not have last year's levels.

The ITR calculated by Carbone4 Finance does not include our indirect investments (via funds).

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

	PAI 2 – Carbon footprint					PAI 3 – Carbon intensity	Implied temperature rise	
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
9 (-2)	34 (4)	350 (19)	80 (25)	27 (-4)	106 (20)	851 (98)	2,2 (-0,3)	3,4 (-0,3)
9 (-)	40 (-36)	437 (-205)	33 (-30)	20 (7)	53 (-23)	684 (-23)	2,4 (-)	3,0 (-)
11 (-)	65 (-19)	361 (-48)	65 (-14)	17 (2)	82 (12)	648 (32)	1,9 (-0,7)	2,2 (0,2)
5 (-2)	24 (18)	274 (-20)	24 (-16)	6 (-3)	31 (-18)	512 (-14)	1,9 (-0,8)	2,5 (0,3)
14 (-1)	98 (-6)	812 (144)	84 (21)	29(16)	113 (37)	932 (225)	2,6 (0,2)	3,2 (-0,1)
11	68	474	64	30	94	714	2,2	2,9
6 (1)	37 (-8)	482 (-74)	33 (-3)	18 (10)	51 (7)	767 (98)	2,3 (0,1)	3,4 (0,2)
6	24	324	59	27	86	864	2,8	3,8
18 (1)	216 (33)	795 (-203)	193 (1)	20 (1)	213 (2)	985 (52)	2,2 (-0,1)	2,2 (-0,7)
11	79	487	80	27	107	805	2,5	3,2
8 (-1)	48 (-30)	400 (-107)	61 (-7)	13 (1)	74 (-6)	657 (11)	1,8 (-0,2)	2,0 (-0,1)
11 (-3)	45 (-8)	367 (-57)	56 (3)	22 (-3)	79 (1)	631 (54)	1,9 (-0,1)	2,0 (-)
11 (-1)	**61 (-15)**	**454 (-43)**	**60 (-13)**	**21 (-)**	**81 (-13)**	**771 (101)**	**2,3 (-0,1)**	**2,9 (-0,1)**
12 (-2)	66 (-19)	608 (38)	70 (-27)	28 (-3)	97 (-31)	968 (42)	2,1 (-)	2,8 (0,1)
8 (-)	46 (3)	357 (-12)	97 (10)	26 (1)	123 (12)	857 (19)	2,5 (-)	3,8 (0,1)
5	31	255	78	22	101	1 184	2,7	4,0
4 (-1)	12 (-1)	190 (12)	18 (3)	16 (2)	35 (6)	557 (50)	1,8 (-0,1)	2,5 (-)
11 (-)	65 (-12)	475 (-41)	87 (-12)	38 (11)	125 (-)	779 (-12)	2 (-0,1)	2,6 (0,1)
24 (4)	116 (-3)	872 (212)	112 (-11)	43 (16)	156 (6)	867 (185)	2,4 (0,2)	2,8 (-0,3)
9 (-1)	41 (-3)	233 (-14)	49 (3)	32 (4)	81 (7)	504 (32)	2,1 (-)	2,6 (0,1)
TCO2eq/€m (EVIC) - MSCI ESG Research			TCO2eq/€m (revenue) - MSCI ESG Research				Degrees Celsius - MSCI ESG Research	Degrees Celsius - Carbon4 Finance

Main conclusions

The carbon intensity of our AuM for Scopes 1 & 2 and for all three scopes combined is lower than that of the market indices used for comparison purposes. The carbon intensity of our AuM decreased by 14% for Scopes 1 & 2 in financial year 2024, while increasing by 15% for all three scopes combined.

These variations can be explained by:

- **A reduction in absolute Scope 1 & 2 emissions and a sharp increase in absolute Scope 3 emissions:** these effects may be attributable to variations in the emissions of companies already in the portfolio or to allocation effects in favour of companies with lower Scope 1 and 2 emissions and/or higher Scope 3 emissions. Our internal research work has shown that companies areimproving their Scope 3 reporting, which means that higher levels are being reported as they are more representative.

- **A favourable monetary approach:** the aggregate turnover of companies included in our AuM has increased by 15%, resulting in a decrease in the carbon intensity of our AuM.

An analysis by asset class shows that the carbon intensity levels of our fixed income portfolios are mostly below those of bond indices. On the international equities side, the Valor strategy is in line with the levels observed for the benchmark indices used (global and American). However, the carbon intensity of R-co Valor increased across all scopes in financial year 2024 to a greater extent than for these same indices. Last of all, the carbon intensity levels of our European value equity strategy were higher than for the Euro Stoxx index used as a benchmark, as companies associated with this investment style are heavily exposed.

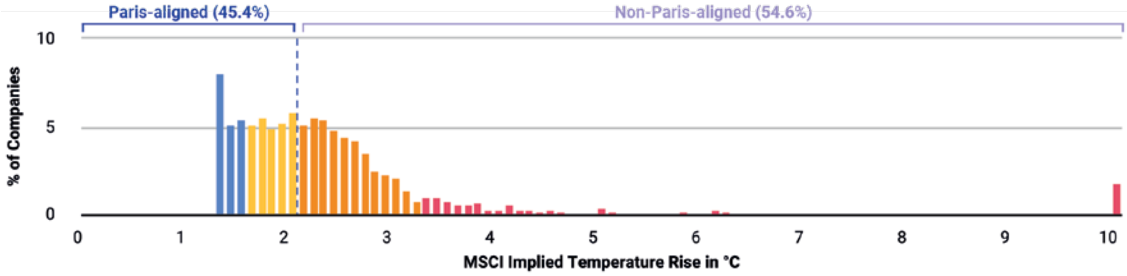
The 2 Net Zero strategies characterized by an objective of managing their carbon intensity, stand out from the other portfolios and from out total AuM:

- The carbon intensity levels of these funds are far lower than those of their benchmark indices for all three scopes. That of the equity strategy is above that of the Paris Aligned Benchmark (PAB) index. This can naturally be explained by the construction of the PAB indices which apply exclusions to carbon-intensive sectors like energy and power producers, but acquire more exposure to low-carbon sectors like consumer goods and technology.

  It is worth noting that the carbon intensity levels of these funds are managed based on data reported by the companies which we compile, while the data presented in the table is that compiled by MSCI ESG Research. Such data may have been compiled at a later date..

- Their ITR stands at 2.0°C or slightly below according to our two service providers, which are ITR lower than the comparative indices and the respective PAB indices. These elements highlight our ability to select transition values, in line with the funds' strategy.

Breakdown of implied temperature rises (ITR) of issuers and funds (in number)



Implied Temperature Rise Categories		% of companies in category
1.5˚C Aligned	<= 1.5˚C	18.7%
2˚C Aligned	> 1.5˚C - 2 ˚C	26.7%
Misaligned	>2.0 - 3.2˚C	42.4%
Strongly Misaligned	>3.2˚C	12.2%

Sources: Rothschild & Co Asset Management, MSCI ESG Research, 31/12/2024

According to Carbon4 Finance and MSCI ESG Research, the implied temperature rise of our total assets is 0.1°C lower than in the previous financial year. That being said, if we take a more granular look at portfolio levels, we can see that ITRs differ in order of magnitude but above all they may move in different directions over the course of the year. This discourages us at this stage from using ITR as a tool for managing our portfolios and steering them towards our Net Zero target.

We nevertheless show here a graphical breakdown of the ITRs of our investee companies for information purposes, as calculated by MSCI ESG Research. It indicates that 45.4% of assets (in number) are aligned with the Paris Agreement's targets. This proportion constitutes a solid and encouraging basis on which we can build our sustainability approach.

The remaining proportion is invested in non-aligned assets. It is important to put this category of assets into perspective: a large majority of them lie in an intermediate ITR range of between 2.0°C and 3.2°C. These assets are not necessarily incompatible with a transition pathway. Some of them, however, have ITRs that deviate significantly from climate targets. One point worth noting is that there are issuers presenting a peak ITR of 10°C. This corresponds to the maximum fixed value assigned by MSCI ESG Research to issuers with the poorest climate performances. This group accounts for fewer than 2.5% of all our issuers.

Methodological limitations

Scope 3: Scope 3 data is not standardised and is subject to double counting when aggregated at the portfolio level. In this report, we monitor and compare the Scope 3 emissions data 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. Reported Scope 3 emissions and the relative measures associated with them are taken into account in our framework for analysing transition plans. For issuers whose Scope 3 emissions may be significant, these elements may be considered in the investment case, particularly for Net Zero strategies. In order to keep these investment strategies on track, we analyse and try to understand any differences observed between estimated Scope 3 emissions and those directly reported by the companies.

Absolute emissions: we have chosen not to include changes in absolute emissions in the table as these changes are proportionate to the assets held by the asset management company and the portfolios. Given the increase in AuM over the financial year, any comparison with the previous year will not allow us to analyse the changes associated with the investee companies and the investment choices made.

Carbon intensity: we focus on carbon intensity rather than carbon footprint. 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. The revenue data provided by companies is standardised and recurring and does not depend on financial market valuations. We do not discuss the decrease in the carbon footprints of our AuM in financial year 2024 as this is partly affected by the methodology used by our provider, which automatically increases the EVIC base of certain issuers and therefore reduces carbon footprints.

Implied temperature: this indicator has the advantage of being easy to understand, but the methodological biases between data providers remain considerable and give rise to significant discrepancies, as shown in the table. All the more so as the data providers regularly review these methodologies, making it difficult to compare temperatures from one period to another.

Carbon4 Finance assessment of our carbon profile

Carbon Impact Ratio

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

- **Induced emissions** are emissions resulting from an entity's operations;
- **Saved emissions** are the sum of **emissions avoided** (the difference between induced emissions and a benchmark situation) and **emissions reduced** (resulting from the entity's efficiency gains relative to a reference year).

Carbon Impact Ratio at 31/12/2024

Direct investments – Rothschild & Co Asset Management	0.10 (-0.01)
- Equities	0.13 (0.02)
- Bonds	0.09 (-0.02)
Euro Stoxx	0.12 (0.01)
MSCI World	0.05 (-)
MSCI USA	0.04
IHS Markit iBoxx Eur Corporates	0.15 (-0.01)
ICE BofA Euro High Yield	0.18 (0.02)

Sources : Rothschild & Co Asset Management, Carbon4 Finance, 31/12/2024
In brackets, change compared with figures at 31/12/2023. Percentages shown in the table are expressed excluding cash and funds.

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

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. The change over financial year 2024 shows a sharp improvement in this segment. **Our bond investments, meanwhile, have a lower CIR than the European market indices,** this time reflecting the overweighting of the financial sector in our portfolio. This sector's saved emissions are not significant in the short term as they depend on the sectoral decarbonisation pathways of their fundings.

Emissions avoided via our direct investments totalled **429,100 tonnes of CO_2 equivalent** at 31/12/2024. Emissions avoided correspond to the amount of greenhouse gases not emitted thanks to the activities of companies financed by Rothschild & Co Asset Management. These avoided emissions come from both our equity strategies and our fixed income strategies. Their respective contributions are proportionate to their share in our assets under management.

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 of open-ended directly managed funds,** representing 60% of our AuM at end-November 2022. At 31/12/2024, changes in our AuM and in market performances meant that this share corresponded to €23,408 million, i.e. **66% of total AuM**. This commitment was made as part of the Net Zero Asset Managers initiative.

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

To do this, we chose the **"Portfolio coverage" (en gras) methodology from the Science Based Target initiative (SBTi)**, namely, the percentage of companies with targets based on climate science and aligned with a 1.5°C temperature rise scenario. **We have defined an intermediate target for 2030, and our goal is for 75% of our AuM to be invested in companies with objectives that are aligned with a 1.5°C scenario, within the basket of assets held through our open-ended directly managed funds.** The effectiveness of this commitment is measured annually and reviewed by our various ESG committees.

The Science Based Target initiative establishes GHG emission reduction frameworks aligned with a 1.5°C scenario for each sector (note that no framework has been finalised for the energy sector at this stage). Targets are considered to be 'science-based' if they are consistent with the most recent climate science and if they correspond to the levels of reduction needed to achieve the objectives set out in the Paris Agreement: to limit global warming to 1.5°C above pre-industrial levels. Companies committed to the initiative are given 24 months to have their greenhouse gas reduction targets validated. **All emission scopes are considered.**

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 level of the asset management company and the fund under review), no formalised approach has been defined for funds of funds and no consensus regarding methodologies or mechanisms seems to be emerging among our underlying funds. At present, it seems premature to define a 'Net Zero' approach to 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, we have been deploying our Net Zero strategy since 2019 via a transition approach taken for 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.

Evolution of our profile according to the SBTi approach

Fund / Scope	2024 Target Set	2024 Committed	2024 Target Set + Committed	2023 Target Set	2023 Committed	2023 Target Set + Committed	2022 Target Set + Committed
AuM > EUR500m							
R-co Valor	**29.2%**	11.7%	40.8%	**25%**	20.1%	45.1%	50.0%
R-co Conviction Credit Euro	**27.7%**	5.3%	33.1%	**23%**	13.3%	36.3%	38.2%
RMM Court Terme	**31.5%**	10.8%	42.3%	**30.0%**	15.9%	45.9%	63.0%
RMM Trésorerie 6M	**23.5%**	14.8%	38.2%	**21.7%**	19.2%	40.9%	59.3%
R-co Target 2028 IG	**35.1%**	4.4%	39.5%	**29.2%**	9.7%	38.9%	-
R-co Target 2029 IG	**35.4%**	3.9%	39.3%	**-**	-	-	-
OPC obligataire dédié	**28.6%**	7.4%	35.9%	**21.5%**	8.1%	29.6%	27.6%
R-co WM World Equities RDT - DBI	**71.5%**	6.2%	77.6%	**46.9%**	13.6%	60.4%	-
R-co Conviction Equity Value Euro	**58.4%**	11%	69.4%	**55%**	14.8%	69.8%	68.5%
R-co Valor Balanced	**29.9%**	9.9%	39.8%	**24.5%**	16.5%	31.0%	-
Net Zero strategies							
R-co 4Change Net Zero Equity Euro	**70.7 %**	8.3 %	79.1 %	**67.7 %**	9.6 %	77.3 %	74.5 %
R-co 4Change Net Zero Credit Euro	**53 %**	9.5 %	62.5 %	**46.0 %**	17.7 %	64.4 %	58.2 %
Scope covered by our NZAM commitment	**32.1%**	**9.3%**	**41.4%**	**28.6%**	**13.9%**	**42.5%**	**45.7%**
Investissements directs - Rothschild & Co Asset Management	**32.4%**	8.7%	41.1%	**29.9%**	13.6%	43.5%	47.6%
Euro Stoxx	**63.2%**	5.9%	69.0%	**60.9%**	16.7%	77.6%	-
MSCI World	**46.9%**	11.4%	58.3%	**47.3%**	15.9%	63.2%	-
MSCI USA	**42.1%**	12.5%	54.6%	**-**	-	-	-
IHS Markit iBoxx € Corporates	**49.1%**	8.8%	58.0%	**46.4%**	13%	59.4%	-
ICE BofA Euro High Yield	**42.7%**	3.7%	46.4%	**41.5%**	7.4%	48.9%	-

Sources: Rothschild & Co Asset Management, MSCI ESG Research, 31/12/2024
Percentages shown in the table are expressed excluding cash and funds.

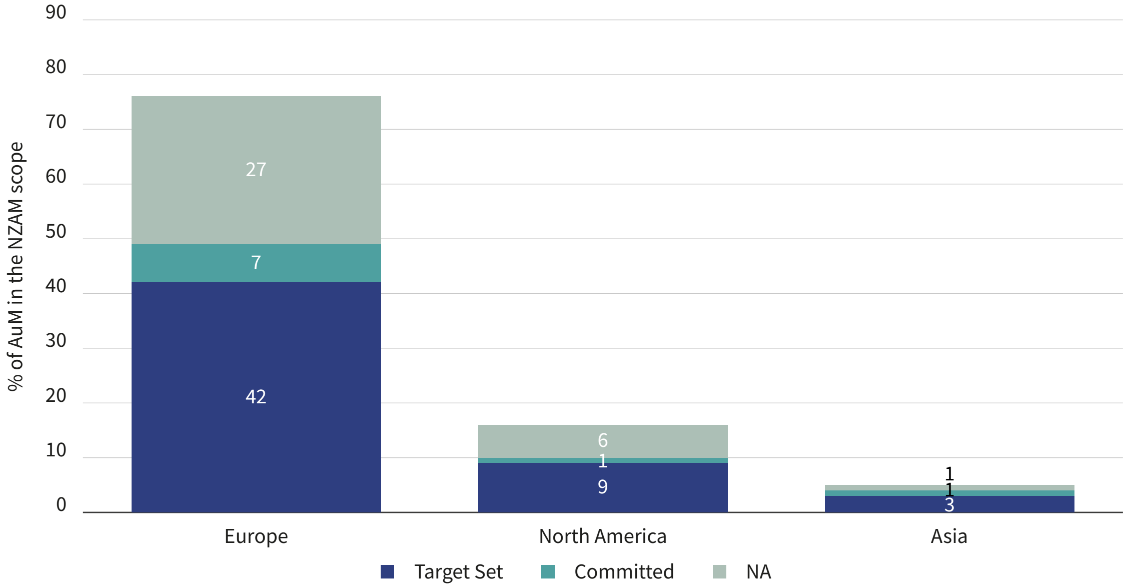
Change in the SBTi status of issuers at end-2023, presented as a % of AuM in the NZAM scope (and in number of issuers)

2023 / 2024	Target Set	Committed	NA
Target Set	**25.0 % (277)**	- (0)	0.2 % (4)
Committed	3.2 % (30)	**8.8 % (29)**	2.7 % (20)
NA	1.6 % (10)	0.4 % (15)	**37.1 % (394)**

Sources: Rothschild & Co Asset Management, MSCI ESG Research, 31/12/2024

Of the issuers we held at the time of our last report and in which we remain invested, **we can see that most of them maintain the same SBTi status**. A positive trend can be observed, nonetheless, since 45 issuers have seen an improvement in their status. Meanwhile, 20 issuers have abandoned their commitment to the SBTi. It is worth noting that 4 issuers whose targets had been validated have since lost their status after being taken over by unaudited groups.

Analysis of SBTi results by region, for the NZAM scope



Although our exposure remains mostly European, a sizeable share of our assets is held in North American and Asian companies via our Valor strategy. As shown in the graph, **the SBTi's scientific reference framework offers global coverage although it is more established in Europe.**

Of the assets under management in our NZAM scope, almost half of our investments in Europe have been audited by the SBTi or have made a commitment to it. The proportion for our North American assets is one third. Asian companies remain at lower levels, with one quarter of our Asian investments being made in companies that have been audited by the SBTi or have made a commitment to it.

These trends show that SBTi adherence varies from one region to another, and this will need to be monitored closely as we endeavour to work towards our intermediate target in 2030.

Analysis of SBTi results by sector, for the NZAM scope

The SBTi's reference framework has limitations for certain sectors. Its scientific governance committee has failed to reach a consensus for the fossil fuel sector. The financial sector, dependent on the regulations applicable to other sectors due to its financing activities, also faces difficulties in committing to SBTI in order to obtain validation for its decarbonisation targets. Needless to say, States are not concerned by this framework either.

The table below shows the weightings of these sectors as a share of AuM in the NZAM, scope in order to gauge the impact of these limitations on the progress we make towards our targets.

Sector / SBTi status	% of NZAM AuM	Target Set	Committed	NA
Finance / banks, insurance & financial services(1)	31.2%	7.1%	2.9%	15.3%
Energy / integrated oil companies	2.1%	-	-	2.1%
States	4.2%	-	-	4.2%

Sources: Rothschild & Co Asset Management, 31/12/2024

To overcome these limitations, we take other reference frameworks into consideration:

- **Transition Pathway Initiative (TPI):** a global initiative that assesses the alignment of high climate impact companies (including oil companies and utilities) with global climate targets
- **Net Zero alliances in the financial sector (NZBA, NZAM, FITNZ):** global alliances of financial institutions wishing to make a commitment to align their activities with a trajectory that is compatible with the Paris Agreement.

We have incorporated these analytical frameworks into the grid we use to assess corporate climate transition plans, which includes variants adapted to the financial and energy sectors.

Analysis of our investments in the energy sector within the NZAM scope, according to the Transition Pathway Initiative (TPI)

Benchmark scenario / Horizon	2027	2035	2050
Objectives in line with the Paris Agreement	0.3%	0.3%	34%
National pledges	32%	34%	0.3%
'Aligned' total as a share of our investments in the energy sector	34% (4 issuers out of 25)		

Sources: Transition Pathway initiative, Rothschild & Co Asset Management, 31/12/2024

By incorporating the TPI's analysis, we obtain encouraging results and above all coverage of sectors that are not or only partly covered by the SBTi. **In the energy sector, 34% of our investments are made in companies whose decarbonisation trajectory is considered aligned with the Paris Agreement according to TPI. In the utilities sector, the level of our investments made in 'aligned' companies is 37%.**

(1) Banks, Asset managers and depositories, Investment banking and brokerage, Life and health insurance, Diversified financials, Consumer credit, Multi-risk insurance and brokerage.

Analysis of our investments in the financial sector, within the NZAM scope

The financial sector has relatively few commitments to the SBTi compared with other sectors, and there are structural, strategic and technical reasons for this. They include a degree of methodological complexity that is specific to the financial sector (financed emissions are complicated to measure and calculate as the data are often unavailable or disparate). These emissions are indirect and depend on the companies that are financed, which limits any direct influence that financial firms might have. Last of all, the financial sector is currently under less pressure than the industry or energy sectors. The SBTi framework nevertheless continues to engage with the financial sector and deliberations are still underway.

Given the financial sector's lack of SBTi commitments, we consider other reference frameworks to observe trends in the sector and in our individual investee companies.

Some 16 of our 20 biggest positions in the sector (in terms of AuM) are in at least one Net Zero alliance, whether NZBA or NZAM. Involvement in such an alliance is a starting point, but it needs to be supplemented with more concrete transition plans and still requires an in-depth analysis of these plans.

The TPI, meanwhile, publishes an annual report analysing the transition profiles of financial firms. The criteria applied and conclusions reached in this report provide additional insight to supplement our own analysis of the sector.

Taxonomy alignment levels offer other assessment datapoints, since financial firms are now included in the scope of application of Taxonomy reporting. Reported percentages remain low, however, and it will be necessary to keep a close eye on the scopes considered. That being said, talks are underway within the European Union to suggest possible adjustments to the calculation formulae and the activities to be considered. This should enable financial firms to get a better grasp of this indicator in order to gauge the transition efforts made and to help investors with their sustainability assessments of this sector.

Companies in the financial sector that contributed most to our NZAM target for financial year 2024

Energy	Net Zero Banking Alliance	SBTi status	Taxonomy alignment 2024 (turnover)	Taxonomy alignment 2024 (CapEx)	Number of interactions 2024	Vote - Say on Climate
Crédit Agricole	NZBA	Committed	3.0%	3.2%	2	Not applicable
Crédit Mutuel	NZBA		5.0%	5.0%	0	Not applicable
Société Générale	NZBA		1.4%	1.6%	2	Not applicable

Sources: Rothschild & Co Asset Management, 31/12/2024

CRÉDIT AGRICOLE

Crédit Agricole: Crédit Agricoleis a member of the NZBA and has set intermediate decarbonisation targets for its Scope 1 and 2 emissions and for its Scope 3 emissions (employee commuting). Downstream emissions are not included, nor are they disclosed. The transition plan therefore focuses mainly on initiatives to address the group's operating emissions, with measures taken for its energy sobriety, datacentres, waste and business travel. The group has, however, introduced reference points for its operations in order to monitor the trajectories of its investments in agriculture and energy. Crédit Agricole also deploys investment and savings solutions through its subsidiaries, for instance with solidarity solutions rolled out within its banking networks. Its underlying entities, such as Crédit Agricole Assurances and Amundi, also support the decarbonisation plan by setting emission reduction targets for their portfolios. For now, the group maintains its 'Committed' status with the SBTi. More granular information about its emissions and the activities concerned would give the group a more solid status, bearing in mind that climate issues have been extensively embedded into its governance bodies.

Crédit Mutuel: Crédit Mutuel has set up a specific governance structure to manage its approach to sustainability issues, including a Climate Risk & CSR Steering Committee. The Confédération Nationale du Crédit Mutuel (CNCM) coordinates application of ESG regulations and standards across the board, while each regional group prepares and rolls out its own approach to CSR by incorporating it into the variable remuneration packages or training programmes offered to its executives. The regional groups set their own carbon reduction targets. Although Credit Mutuel does disclose its financed emissions, its downstream Scope 3 emissions are only partly covered by its reduction targets. Crédit Mutuel has made no commitment to the SBTi, but its ESG risks are factored into the group's overall strategy with specific sectoral policies and dedicated indicators to monitor progress out to 2030. Its transition plan is based on phasing out fossil fuels, decarbonising high-emission sectors via the NZBA and NZAM trajectories, and helping its clients with their own low-carbon transitions.

Société Générale: Société Générale could improve governance of its sustainability issues, whether through the variable remuneration packages, structure or training offered to its directors. Société Générale has made no commitment to the SBTi but has joined "Net Zero" GFANZ alliances such as NZBA and NZAM. The group discloses its GHG emissions in a very transparent manner. The bank has a whole series of sectoral decarbonisation targets for its investments. It has a robust thermal coal exclusion policy, but its oil and gas policy warrants a stricter approach, even though we welcome the targets it has set for achieving absolute reductions in its financed emissions in this sector. Overall, it has reported and taken convincing and detailed measures, and it has also made huge efforts on the operational front in the areas of energy efficiency, renewable energy and digital responsibility. Where financing is concerned, the bank is aiming for €500 billion of sustainable financing between 2024 and 2030, which is the equivalent of the total loan book currently on its balance sheet.

Our commitment to the climate transition and just transition

We have gradually rolled out our proprietary framework for analysing transition plans since 2023. Not only has this helped to increase the number of questions we raise on the topic of the climate transition, but also to make them more relevant.

Restructuring plans, job losses, career changes and greater inequality... the climate transition is not socially neutral for workers, business sectors, regions or countries. Consequently, climate targets and socio-economic priorities clearly need to converge if this transition is to succeed.

As a founding member of the world's first coalition for a just transition, launched by the Institut de la Finance Durable in 2021, we firmly believe there is a need to minimise the negative social repercussions of the transition to sustainable models while maximising the positive aspects of such a transition (e.g. the creation of green jobs). Given the need to execute a just climate transition, we feel that investors and companies alike must play an important role. This is why we foster mutual cultural adaptation and keep our investee issuers informed about this new theme. Moreover, since 2021 we have focused mainly on the agro-food, energy, transport and construction sectors where we believe it is urgent to execute a climate transition that is both socially acceptable and accepted.

Regarding the climate transition theme, we recorded:

- 148 questions to 62 issuers in financial year 2024 (of which 41% with an identified area for improvement)
- 506 questions to 152 issuers since financial year 2021 (of which 48% with an identified area for improvement)

Regarding the just transition theme, we recorded:

- 7 questions to 7 issuers in financial year 2024 (of which 14% with an identified area for improvement)
- 51 questions to 29 issuers since financial year 2021 (of which 4% with an identified area for improvement)

Ambitions

Vigilance on climate objectives and the effective implementation of these objectives: since 2022, when we made a climate pledge as part of the NZAM initiative, we have endeavoured to keep a close eye on developments regarding the SBTi's scientific framework, a framework we have adopted for the transition targets of our investments. We have come up against some challenges in our pursuit of these targets, in particular the fact that not all sectors are covered, notably the energy and financial sectors. Recent developments, however, are encouraging.

As part of our sectoral assessments, we already integrate other scientific reference frameworks such as the TPI and the financial sector's Net Zero alliances, in particular via our transition grid. Based on the results presented in this report, we plan to begin monitoring these reference frameworks in addition to the SBTi.

After certain institutions withdrew from the NZAM initiative, partly because of "recent developments in the USA", the organization announced in early 2025 that it was suspending activities and launching a general consultation. We will take part in this consultation, which is scheduled to take place during the course of 2025. Pending more clarity, we have opted to maintain our Net Zero targets.

Engagement: given our approach to sustainability, which is focused on the transition and on providing support for all sectors (including the most carbon-intensive ones), it seems essential to engage with the companies we have selected. As investors, we will pursue our efforts on the climate theme and continue to advocate for scientific reference frameworks, while also spending more time ensuring that companies continue working towards their objectives and make effective progress on their decarbonisation trajectories. As regards the financial sector, we will ensure that companies continue to publish transparent reporting and reduce the carbon emissions of their investments, i.e. their downstream Scope 3 emissions, by defining sectoral decarbonisation trajectories and transition-centric financing targets covering relevant scopes.

Issuer analysis and selection: our assessment grid for analysing transition plans gives us crucial leverage. It allows us to monitor the objectives set by our investee companies as well as their actual transition trajectories. In 2024, we extended the scope covered by our in-depth analytical framework by launching an automated version aimed particularly at covering the fixed income asset class more extensively.

Our integration of biodiversity targets

“Taking climate action means protecting biodiversity.”

07

Our guiding principles on biodiversity

Biodiversity is inevitably affected by climate change and its consequences (drought, melting ice caps, rising sea levels, etc.), which disrupt increasingly precarious balances and harm all species, including humans. Meanwhile, damage caused to ecosystems (deforestation, overfishing, water pollution, etc.) has a material financial impact on companies and on the economy as a whole.

We want to be able to have the best possible understanding of this matter for the purposes of our portfolios and to raise awareness about these issues among economic agents. We therefore entered into a partnership in 2022 with Carbon4 Finance and CDC Biodiversité, two leading bodies addressing environmental matters, in order to measure the main biodiversity impacts, pressures and dependencies. Since then, we have closely monitored the methodologies used and tested different datapoints in order to identify the most relevant approaches that will enable us to factor biodiversity risks and opportunities into our investment processes.

In 2024, we chaired the AFG working group on biodiversity which resulted in the publication of a guide to best practices. The guide covers all investment processes and seeks to provide asset managers with the tools they need to tackle the subject, including practical recommendations and examples. It offers insight into the reference frameworks, key issues and leverage available to successfully integrate nature-related matters into investment strategies.

Current resources and tools

- **Integration into the analysis:** biodiversity-related data considered by taking a more in-depth approach to identifying and assessing issues that are material to certain key themes (biodiversity conservation and restoration, circular economy and sustainable sourcing);
- **Integration into sustainability risk mapping;**
- **Integration in the engagement strategy:** individual and collaborative engagement on the theme of biodiversity, membership of the Nature Action 100 initiative;
- **Sector policy:** exclusion of certain sectors that have a big impact on biodiversity conservation, such as tobacco and thermal coal. Starting from July 2025, we will exclude palm oil from our investments.

Indicators currently under consideration for assessing transition risks:

- Intensity (expressed as MSA.m2/€k invested) and its temporal and spatial distribution;
- Distribution according to the 5 pressures identified by the IPBES – based on the BIA-GBS and ENCORE methodologies;
- Activities negatively affecting biodiversity-sensitive areas (PAI 7, presented in Section 9 "Principal Adverse Impacts - PAI Report (SFDR)");
- Proportion of activities in sectors with significant potential to disturb land and sea areas;
- Potential direct contribution to deforestation;
- Alignment with the European Taxonomy, under which one of the objectives is to protect biodiversity and ecosystems (presented in Section 5 "The European Taxonomy").

Indicators currently under consideration for assessing physical risks:

- Dependency score and matrix – based on the BIA-GBS and ENCORE methodologies;
- Exposure to biodiversity and land use.

Results of indicators and metrics considered

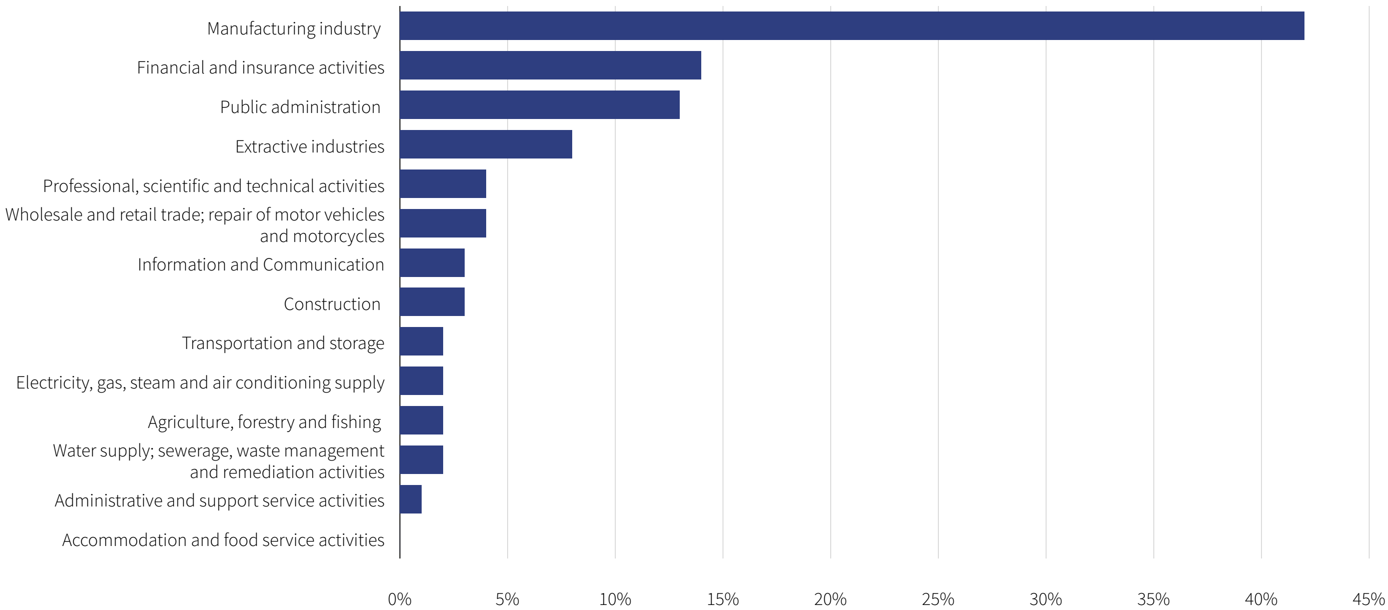
Intensity (MSA.m² / EURk invested)

MSA.m² is a measure of land artificialization and expresses the loss of biodiversity over a given surface area. A MSA of 100% is equivalent to a completely preserved area (e.g. a virgin forest). An impact of 1 MSA.km² is equivalent to land take of 1 km² of undisturbed natural area. The higher a portfolio's MSA.km², **the greater its adverse impact on biodiversity.**

	Direct investments – Rothschild & Co Asset Management	Euro Stoxx	MSCI World	MSCI USA	IHS Markit iBoxx € Corporate	ICE BofA Euro High Yield
Static terrestrial	105 (9)	87	58	45	79	114
Dynamic terrestrial	3 (-)	3	2	2	3	4
Static aquatic	6 (-)	6	4	3	6	7
Dynamic aquatic	0.1 (-)	0.1	0.1	0.1	0.1	0.1

Source: Carbon4 Finance, 31/12/2024
In brackets, change compared with 2023 year-end figures

Breakdown of our contributions to MSA by NACE* sector



Source: Carbon4 Finance, 31/12/2024.
* NACE, or statistical classification of economic activities in the European Community.

The sectors that contribute most to the biodiversity footprint of our portfolios are the manufacturing industry, financial sector, public administration, government bonds (mainly French and German), and the mineral, metal and energy extraction industries. They account for around **three quarters** of our total biodiversity footprint. Our approach to the transition involves investing more heavily (than the benchmark indices used) in certain of these activities that have historically had a significant impact on biodiversity.

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

- Our investments in the manufacturing industry: assets invested in certain high-impact companies have increased, and others have seen an increase in their biodiversity footprints;
- An increase in the proportion of fixed income and money market portfolios and therefore in the banking sector across all our AuM.

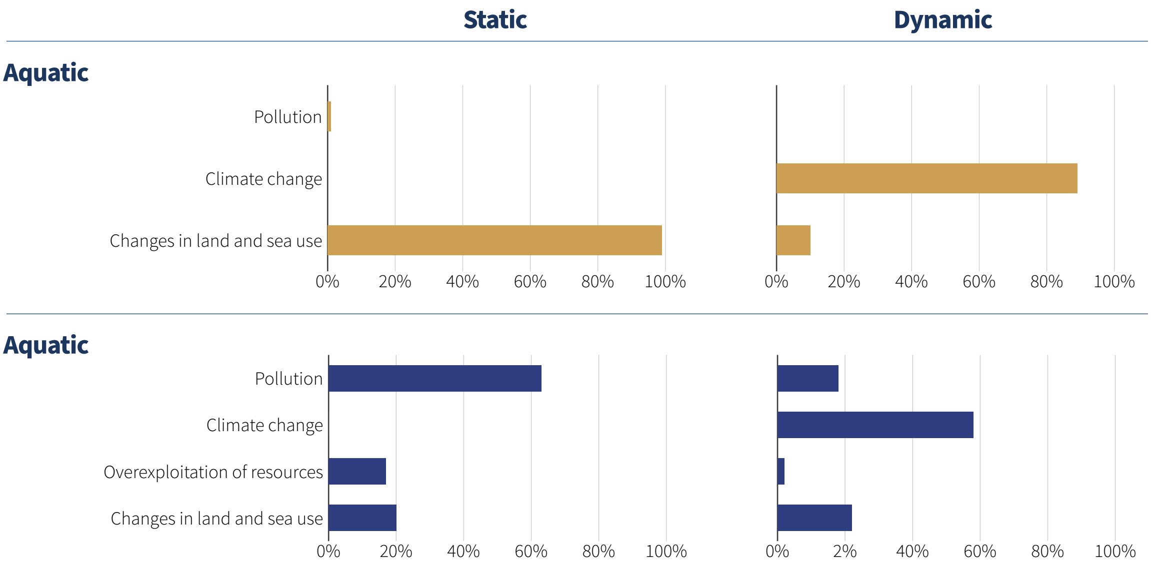
Breakdown by IPBES pressure of impacts financed by the consolidated portfolio

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

- Changes in land and sea use: land artificialization, a major cause of habitat destruction and ecosystem fragmentation
- Overexploitation of land and sea resources
- Climate change
- Pollution
- Invasive species, which upset certain equilibriums at the local level – this pressure is not covered by the methodology developed by Carbon4 Finance and CDC Biodiversité

The graphs above show a detailed breakdown of biodiversity impacts split between the static and dynamic accounting categories as well as the terrestrial and aquatic (freshwater only) domains.

The static terrestrial biodiversity footprint of our direct investments primarily reflects historical pressures exerted on account of changes in land and sea use. The effects of climate change are the main impacts taking a toll on our dynamic (i.e. forward-looking) biodiversity footprint.



Source: Carbon4 Finance, 31/12/2024.

Dependency score by scope

The dependency score quantifies 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.

The dependency score for Rothschild & Co Asset Management's direct investments in relation to **Scope 1** is **10%** and that in relation to **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 Valor	10%	11%
R-co Conviction Credit Euro	9%	10%
RMM Court Terme	10%	11%
RMM Trésorerie 6M	6%	9%
R-co Target 2028 IG	10%	10%
R-co Target 2029 IG	11%	10%
Dedicated bond fund	10%	10%
R-co WM World Equities RDT - DBI	9%	12%
R-co Conviction Equity Value Euro	12%	12%
R-co Valor Balanced	10%	11%
Euro Stoxx	12%	12%
MSCI World	10%	11%
MSCI USA	9%	11%
IHS Markit iBoxx € Corporates	11%	11%
ICE BofA Euro High Yield	11%	12%

Source: Carbon4 Finance, Rothschild & Co Asset Management, 31/12/2024.
In brackets, change compared with 2023 year-end figures

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.

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

Of our total assets under management, €23.7 billion are covered by the BIA-GBS model, representing almost 66% of our AuM. The 34% not covered includes the external investment funds underlying our multi-management activity, derivatives and cash, which account for 21%; and also some unhedged equities and bonds, which account for 13% of our total AuM.

The ENCORE methodology is based on the economic activities for which it is possible to assess dependencies and impacts on natural capital. It can describe how economic activities interact with nature and with natural capital by identifying materiality at the sector level on a scale from 1 to 5 for the two components: pressures and dependencies. This assessment factors in quantitative and qualitative information, spans the upstream and downstream value chain, and refers to a map of ecologically high-risk zones built with the help of spatial data.

The breakdowns presented in the charts only concern the asset management company's direct investments, excluding cash and derivatives. For the purposes of this exercise, we have not rendered transparent the funds in which we are invested.

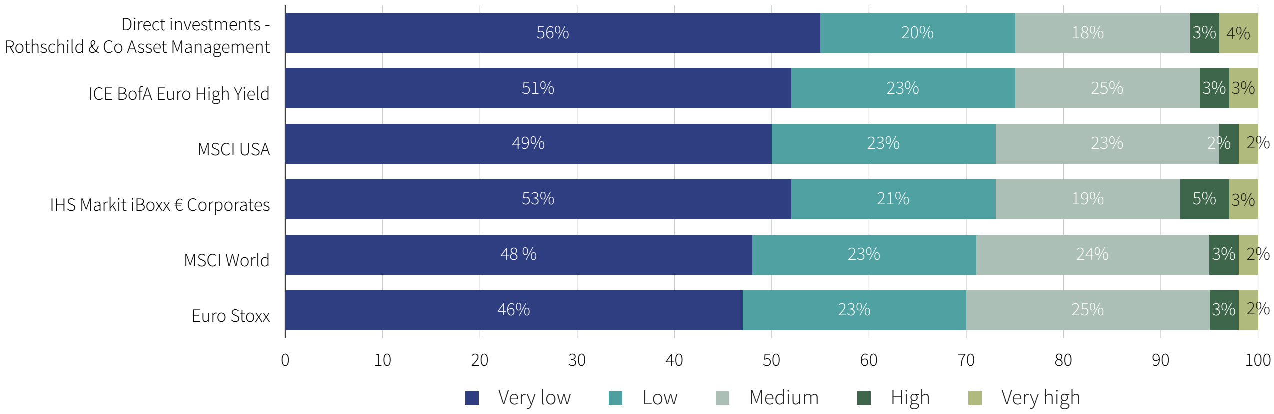
Breakdown of pressures and dependencies under ENCORE

To supplement the measurements obtained from Carbon4 Finance and CDC Biodiversité, we have this year opted to include another reference framework, ENCORE, and thus improve our understanding of our nature-related exposures.

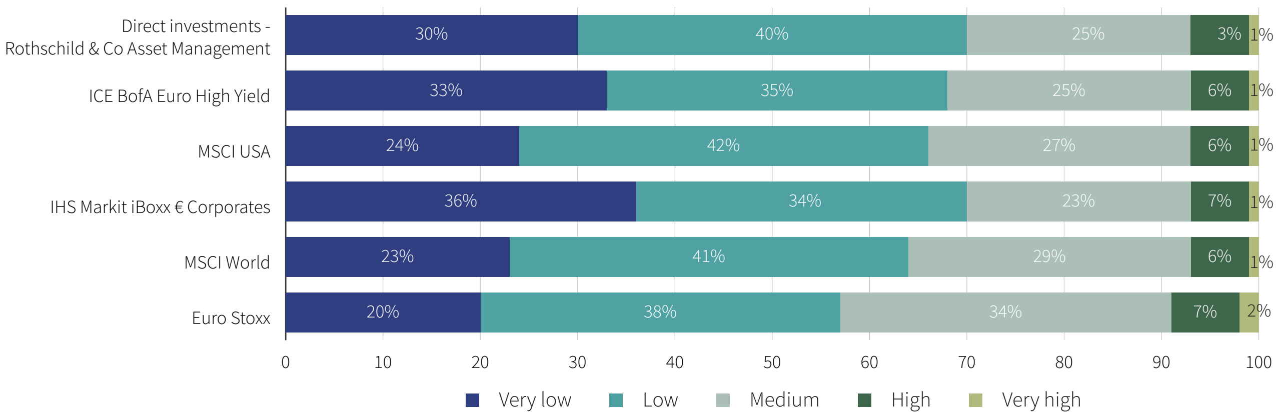
ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) identifies the dependencies of economic activities on ecosystem services and the pressures they exert on biodiversity. For instance, a power producer is heavily dependent on the "water regulation" ecosystem service; at the same time, the construction of a dam exerts pressure on biodiversity by fragmenting aquatic habitats and impacting on migrating fish species.

Rothschild & Co Asset Management's total assets under management have little exposure, since 76% of its assets have low dependency on biodiversity, and it is slightly better placed than all the benchmark indices used (e.g. the Euro Stoxx with 69% and IHS Markit iBoxx € Corporates with 74%). In general, we see few cases (between 4% and 8%) of high dependency among our AuM or any of the indices used. However, although the indices have similar levels of dependency, they exert more pressure on nature than our investments do: the share of our investments exerting the highest levels of pressure is estimated at 4%, which is below that of the indices (estimated at between 9% and 7%).

Dependencies



Pressures



Sustainability risk associated with biodiversity loss

The tools and methodologies used for assessing the financial risks and impacts of biodiversity on investments are at a less advanced stage than those used 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.

For the purpose of implementing our risk map, 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 activities in sectors with high potential for disturbing land and marine areas
- **Impact on ecosystems:** risks associated with an activity’s potential impact on biodiversity and the extent of ecosystem degradation in its areas of activity

A new biodiversity indicator has been added to our sustainability risk map: potential direct contribution to deforestation. This indicator predicts the environmental, regulatory and financial impacts associated with deforestation.

The risk mapping results show that our direct investments are more exposed to the risks of biodiversity loss than market indices are. These results are in line with those observed for the biodiversity footprint, demonstrating a certain consistency between approaches. This is mainly attributable to our overexposure to companies in the mining sector in comparison with market indices. However, the contribution of our investments to deforestation is a lower risk within our investments than at the level of market indices.

Risk of biodiversity erosion	Biodiversity – Loss of biodiversity	Biodiversity – Impact on ecosystems	
	Disturbance of land and sea areas	Biodiversity and land use	Deforestation
Direct investments – Rothschild & Co Asset Management	**2.7%**	**2.4%**	**1.7%**
Euro Stoxx	0.2%	0%	5.7%
MSCI World	1.7%	1.1%	8.9%
MSCI USA	1.2%	0.7%	7.9%
IHS Markit iBoxx € Corporates	1.1%	0.2%	3.6%
ICE BofA Euro High Yield	1.2%	0.1%	1.9%

Source: Carbon4 Finance, Rothschild & Co Asset Management, 31/12/2024.

Focus on our commitment to the biodiversity theme

As part of the dialogue we engage in with our investee companies, we discuss issues relating to biodiversity whenever these issues are material for the company or for the sector to which it belongs.

In 2021, we began questioning investee issuers about the way they address nature-related risks and opportunities. We did so initially by sending them standardised ESG questionnaires in 2021 and then by interacting with them more directly as of 2022. Previously, our questions focused essentially on identifying practices in the broadest sense. We now try to be more specific in the sub-topics covered when they are deemed relevant to the company and to its activities.

During our interactions, we question companies about their practices in the following areas:

- Reporting: calculation of biodiversity footprint, impact measurement and methodology used;
- Measures taken to reduce one's impact on biodiversity;
- Traceability of resources used and responsible sourcing initiatives;
- Waste management, recycling and circular economy practices;
- Impact of new regulations: efforts to tackle deforestation, the European Taxonomy and measurement of eligibility and alignment with its final four objectives ("Taxo4"), non-financial reporting under the CSRD and materiality assessment, etc.

Regarding the biodiversity and natural capital theme, we recorded:

- 50 questions put to 32 issuers in financial year 2024 (of which 36% with an identified area for improvement)
- 106 questions put to 67 issuers since financial year 2021 (of which 29% with an identified area for improvement)

Concrete examples of engagement initiatives and areas for improvement identified with our investee companies are described in detail in our Engagement and Voting Report for financial year 2024.

Methodological limitations

A local scale

Biodiversity is distinctive in that it occurs on a local scale. For example, the consumption of a given volume of water at 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, our data providers Carbon4 Finance and CDC Biodiversité do not cover impacts on oceans, even though we now recognise the major role that saltwater plays in maintaining ecosystems and the services they provide to the real economy.

Reporting tools rather than analytical 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 interacts with business models in various different ways. 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 consist of reporting tools rather than actual tools for analysing companies and our portfolios. This is a useful exercise nonetheless as it provides us with insight into the topic and helps us to form opinions about the most suitable methodologies for our business lines and for the asset classes in which we invest

Alongside this complexity, one should note that the methodologies used for modelling biodiversity footprints, impacts and dependencies are applied at sector level and not at individual issuer level. External assessments of issuers do not therefore factor in any mitigation practices or policies applied on a discretionary basis. They do not allow distinctions to be made within a given sector or reference group.

Engagement

The process of identifying the material elements on which we can engage with a company, in order to steer it towards relevant areas for improvement, is currently carried out on a case-by-case basis. Our discussions on biodiversity issues are targeted: there are some companies with business models that we consider to be significantly exposed to biodiversity. We believe it is still too soon to define prescriptive areas for improvement and have chosen instead to encourage adoption and mobilisation under emerging frameworks: CSRD, Taxo 4, TNFD or SBTN.

The idea of putting in place an alignment strategy along with objectives and trajectories does not seem feasible or credible at this stage. Although reference frameworks are still being developed, we consider that the data available to us are not yet sufficiently mature for us to be able to compare issuers or determine how their biodiversity dependencies and impacts are going to evolve in the future. At the same time, biodiversity conservation and restoration solutions are still emerging in the business models of the listed companies that make up our investment universe. Very few companies currently have clear biodiversity-related turnover or CapEx (even though the new Taxonomy objectives are now in effect). The few that do exist are mostly American and small or midcap companies.

Ambitions

In 2024, we took over the chairmanship of the AFG working group on biodiversity. We noted that good practices are beginning to emerge in the financial industry on this theme; we have taken these practices on board and will continue to draw on them for our future work. In 2025 in general, we have implemented the roadmap established in previous years to activate the different forms of leverage identified:

- **The introduction of sector-specific restrictions:** the bans on the thermal coal and tobacco sectors introduced as part of our common exclusion framework are helping to reduce and manage certain impacts and pressures on biodiversity. That being said, our aim had been to look into introducing an additional exclusion rule that would address biodiversity issues more directly. We successfully completed this study and, as from July 2025, will exclude investments in companies that derive more than 5% of their revenue from the production or distribution of palm oil.

- **A more extensive engagement strategy:** we have drawn up a priority list of companies with which we will be able to engage on this theme more in-depth next year, more precisely on their negative externalities. Where investor coalitions are concerned, we joined the collaborative Nature Action 100 initiative in 2025 as it encourages companies to factor in nature and biodiversity issues.

- **Deeper analysis of risks and opportunities:** open-source databases are beginning to emerge, allowing for more granular and in-depth analyses and supplementing those supplied by our current data providers. We have begun making use of CDP data and water and forest metrics. We are working in particular to include an indicator assessing water management practices in our monthly ESG reports. We have also launched the first phase of a drive to grasp and make use of the ENCORE database, which provides us with a clear and operable summary of risks and opportunities. We have used it to present for the first time in this report the matrix of dependencies and pressures of our investments. Where biodiversity data is concerned in general, we will continue to closely monitor the indicators and methodologies made available to us by our data providers, such as MSCI ESG Research's Potentially Disappeared Fraction of Species (PDF) models, and open-source models. These indicators are reviewed at least once a year for the purpose of producing this report or for reviewing the indicators presented in our sustainable risk map.

Sustainability issues in risk management

“The transition theme warrants an assessment of the risks and opportunities associated with sustainability issues.”

08

Sustainability risks policy

Definition and identification of sustainability risks

The SFDR introduces the notion of **double materiality**, characterised by two distinct but complementary types of risks:

- **Sustainability risks:** these arise when an external 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 on sustainability (PAI):** these correspond to the negative impacts of investments from an environmental, social or governance point of view.

Sustainability risks include:

- **Environmental risks,** which include physical and transition climate risks as well as biodiversity-related risks;
- **Social matters** and especially those regarding working conditions, diversity and human capital development;
- **Governance issues** relating to fraud and corruption, diversity, and checks and balances in governance bodies, and the accountability of representatives for the company's sustainability strategy.

Indicators have been identified to measure and monitor the exposure of our investments to each family of sustainability risks. They are integral to the risk mapping established by the Risk Management and Compliance departments, and also to the controls performed by both these teams. The indicators are monitored in close detail by the Risk Management department, which is responsible for integrating them into our operating systems and for performing calculations at portfolio level. It is tasked with informing fund managers in the event of a given exposure to a contingency.

Details on the identification of sustainability risks as well as our monitoring and control procedures in place are available in our Sustainability Risk Policy for Investments.

The sustainability risk map is reviewed annually, with the relevance of each risk indicator being reassessed. On completion of the 2024 review, the map remained largely the same with around 90% of indicators maintained.

The biggest change is that transition climate risks are now factored into our map more extensively thanks to new modelling tools obtained from our data provider. The regulatory and social pressures resulting from the climate transition have intensified, making these risks more urgent and tangible. The main non-financial data providers continuously enhance their data and methodologies in order to capture these effects more comprehensively.

Sustainability risks map

Domain	Risks family	Definition	Risks identified
Environment	Physical climate risk	Risk associated with the physical impacts resulting from 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 Scarcity of resources
Social	Diversity and Inclusion	Risk associated with a lack of equal rights and opportunities in terms of access to employment, training, qualifications, mobility, promotion, work-life balance and pay	Remuneration Diversity
	Labour and human capital management	Risk of poor use of employees' knowledge and skills, and risk of human rights violations	Working conditions Regulations
	Health and safety at work	Risk of workers not being protected against occupational accidents or diseases	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 conduct of a person accepting benefits of any kind in order to perform an act within the scope of his or her duties, as well as with litigation	Unethical conduct
	Transparency of external controls and documents	Risk associated with regular controls of companies and financial/non-financial documents reflecting their true status	Regulations

We mostly make use of MSCI ESG Research to obtain these indicators. They are explained in our Sustainability Risk Policy for Investments.

Each risk and associated indicator is addressed without any hierarchy in terms of probability of occurrence or potential impact on the value of an investment. In addition, they are the same across all asset classes and all product SFDR classifications.

The three main risk families to which our direct investments are exposed

Risks family	Environment – Climate transition risk	Social – Labour & human capital management	Governance – Business ethics
Direct investments – Rothschild & Co Asset Management	39.9%	18.1%	7.1%
Euro Stoxx	53.4%	24.9%	3.3%
MSCI World	45.0%	31.1%	5.8%
MSCI USA	43.2%	31.5%	5.2%
IHS Markit iBoxx € Corporates	55.4%	26.9%	11.3%
ICE BofA Euro High Yield	52.1%	18.0%	2.8%

Source: MSCI ESG Research, Rothschild & Co Asset Management, 31/12/2024

The table above shows the three risk families considered to be the most sensitive for our investments, i.e. those for which the proportion of issuers triggering the alert thresholds defined for each of the risks identified is the highest. For comparison purposes and to obtain the highest level of granularity possible, we have opted to publish the levels of five market indices that are representative of our investments.

Below is our analysis of these **three main risk families:**

1. Environment - Climate transition risk

Climate transition risk appears to be the most material for our investments. This is largely attributable to fast-changing regulations, technologies and consumer expectations due to efforts to tackle climate change. Such changes could incur high adaptation costs, asset devaluations or a loss of competitiveness, evidence of which we have observed through our monitoring processes. Some companies are struggling more than others to prepare for these transformations in order to limit their financial impact. These companies may need to revise their objectives frequently if they observe major discrepancies between their targets and facts on the ground. The benchmark indices used are more exposed to transition risk than our investments are.

2. Social - Labour & human capital management

Some 18% of our investments are in issuers considered to be sensitive to this risk according to our approach. Such high exposure to this risk can be attributed to our monitoring of social controversies, for which the alert threshold is an exacting one. This risk directly influences the way in which a company values, utilises and respects its human resources, and includes legal sanctions and the associated reputational risks. The benchmark indices used are more exposed to this risk than our investments are.

3. Governance - Business ethics

This risk family concerns conflicts of interest, corruption and the acceptance of undue advantages. When a company tolerates or takes part in such practices, it exposes itself to legal proceedings, regulatory sanctions and lasting damage to its reputation. The equity indices used for comparison purposes are less exposed to this risk than our investments are, whereas the Investment Grade bond index is more exposed – resulting in a similar level of exposure to this risk in proportion to the asset classes included in our investments.

Focus on climate risks

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

As a result of climate change, the frequency, intensity and duration of climate hazards are constantly increasing and have a direct impact on a company's economic and financial performance. To integrate these risks, we use a family of indicators to measure the potential loss of a company's market value: Climate Value at Risk. They assess the potential impact of a given scenario on a company's market value.

Climate VaR covers two types of risks:

Physical climate risks: chronic and acute risks are assessed by projecting future costs and profits out to 2100 based on a given extreme climate scenario.

Transition climate risks: these include emission reduction costs, higher energy prices and the effects on the value chain and the market. These are therefore financial and operational challenges that companies must overcome in order to adapt to the new regulations and technological developments needed to reduce carbon emissions. This component is the sum of two sub-parts:

- **Political risk:** the direct and indirect costs imposed on companies by climate regulations
- **Transition opportunities:** the potential profits a company could generate by developing the new technologies needed to transition to a low-carbon economy

Such figures ought to be interpreted with caution. This is because these risk families involve a high degree of complexity due to the scale and multiplicity of the phenomena involved, and they therefore cannot be addressed using a simple model. For the moment, no methodological consensus has been identified. The approach developed by MSCI ESG Research, which we use, is still relatively recent and constantly evolving.

Note on methodology

The **Climate Value at Risk model developed by MSCI ESG Research** strives to remain aligned with the recommendations issued by the TCFD, which advises the financial sector to calculate the impact of climate scenarios on investment portfolio values. The model:

- Covers 300,000 financial instruments, but not mutual funds. Issuers not covered are excluded from the calculation, and portfolios are rebased on the portion represented by the assets that are covered. Indirect investments (mutual funds) are not covered in this exercise.
- Models 10 extreme climate hazards.
- Incorporates future technological opportunities.
- Calculates and analyses transition risks for the NGFS's reference +1.5°C, +2°C and +3°C scenarios.
- Projects future losses and profits out to 2100.

These forward-looking climate scenarios are taken from the REMIND model, which simulates interactions between the economy, energy and the climate on a global scale. It is developed and used by the NGFS (Network for Greening the Financial System) to draw up reference climate scenarios split into three main families:

- **Orderly scenarios:** climate policies are implemented early and gradually. Physical and transition risks are moderate.
- **Disorderly scenarios:** policies are implemented belatedly or incoherently between different countries and sectors. This results in higher transition risks.
- **Hot House World (NDC – Nationally Determined Contribution) / Too Little Too Late (Fragmented World) scenarios:** climate efforts are inadequate to limit global warming. These scenarios incur severe and irreversible physical risks, with major consequences for ecosystems, health, infrastructures and the economy.

Details about these scenarios are provided in the appendices.

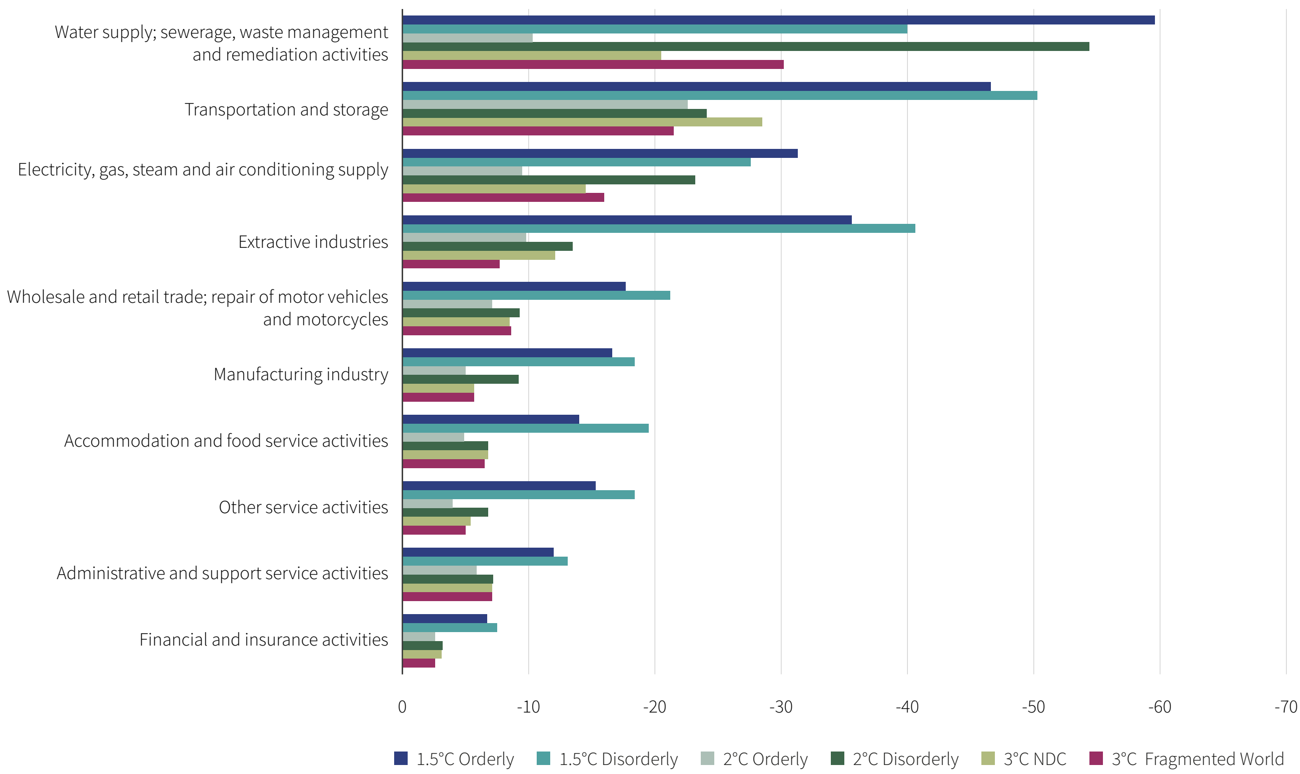
REMIND NGFS* Climate VaR
Aggregated physical and transition risks

	1.5°C – Orderly [%]	1.5°C – Disorderly [%]	2°C – Orderly [%]	2°C – Disorderly [%]	3°C – NDC [%]	3°C – Fragmented World [%]
R-co Valor	-6.7	-7.6	-3.3	-4.4	-3.9	-4.1
R-co Conviction Credit Euro	-12.5	-12.8	-4.3	-8.3	-5.2	-5.6
RMM Court Terme	-12.3	-11.3	-3.7	-8.3	-5.1	-6.0
RMM Trésorerie 6M	-8.2	-8.5	-3.1	-5.4	-3.8	-4.5
R-co Target 2028 IG	-18.2	-20.4	-6.9	-12.5	-8.4	-9.9
R-co Target 2029 IG	-15.3	-17.1	-5.9	-10.7	-7.3	-8.3
Dedicated bond fund	-12.7	-13.7	-4.3	-8.4	-5.0	-5.8
R-co WM World Equities RDT - DBI	-6.7	-8.0	-2.1	-3.5	-2.4	-2.5
R-co Conviction Equity Value Euro	-17.1	-17.2	-8.0	-14.7	-9.5	-11.6
R-co Valor Balanced	-10.5	-11.2	-5.1	-7.9	-5.9	-6.5
R-co 4Change Net Zero Equity Euro	-4.9	-5.3	-2.0	-4.7	-3.4	-4.2
R-co 4Change Net Zero Credit Euro	-6.9	-7.2	-2.9	-5.6	-4.4	-4.9
Direct investments – Rothschild & Co Asset Management	**-10.6**	**-11.5**	**-3.9**	**-7.2**	**-4.8**	**-5.4**
Euro Stoxx	-9.6	-10.4	-3.4	-6.7	-4.2	-4.9
MSCI World	-7.2	-8.5	-2.7	-4.5	-3.3	-3.4
MSCI USA	-5.9	-7.4	-2.2	-3.6	-2.7	-2.8
Bloomberg PAB Europe	-2.8	-3.2	-1.6	-2.4	-2.1	-2.4
IHS Markit iBoxx € Corporates	-10.0	-10.5	-3.6	-7.1	-4.5	-5.3
ICE BoFA Euro High Yield	-9.4	-9.8	-3.5	-6.6	-4.5	-5.0
MSCI Corporate Bonds SRI PAB	-5.8	-6.3	-2.6	-4.3	-3.3	-3.5

Source: Rothschild & Co Asset Management, MSCI ESG Research, 31/12/2024

* Network for Greening the Financial System.

Aggregated Risk Company Climate VaR (REMIND NGFS*)



Source: Rothschild & Co Asset Management, MSCI ESG Research, 31/12/2024

* Network for Greening the Financial System.

On the whole, the overall Climate VaR of our investments, aggregating the two categories of climate risks (physical and transition), **is slightly higher than the physical and transition climate risks of the benchmark indices used. This is because our investments are more exposed to transition risks, corresponding to around 80% of the total, compared with a lower share exposed to physical risks.**

Exposure by sector and by asset class

The predominance of transition risks also appears when performing an analysis by sector and by asset class.

The data provided in the **“REMIND NGFS* Climate VaR – Aggregated Transition Risks”** table shows that issuers in fixed income funds and indices are particularly sensitive to regulatory changes, which is the main component of transition risk. This is attributable to the fact that the financial sector is heavily weighted with **bond funds**.

MSCI ESG Research’s Climate VaR methodology has certain limitations when it comes to factoring in the exposures arising from a financial institution’s portfolios. It mainly assesses the direct climate impacts on the financial entity itself, without factoring in the composition of its investments. This approach can result in an underestimation of the climate risk actually faced by these firms. That being said, our exposure to financials also includes many financial subsidiaries of industrial groups operating in high-emission sectors such as energy and building materials. Climate VaR models tie these financial subsidiaries to their parent companies when assessing climate risk. This means that the transition risk estimated for the financial subsidiary is inherited from the climate profile of the group to which it belongs, and in many cases this group will have a poor transition profile. Consequently, even if the financial subsidiary operates no industrial activities directly, it will carry the sector risk and exposure of its parent company.

The results obtained for **equity funds, me**anwhile, are broadly in line with or even better than those of the indices used for comparison purposes. The R-co Conviction Equity Value Euro fund is penalised on account of a sharp sector bias towards the transportation and electricity supply sectors. The transportation sector is one of the sectors that is most exposed to transition risks owing to its direct emissions (Scope 1) and indirect emissions (Scope 3) via the use of vehicles sold; this makes it vulnerable to both transition risks (taxes, regulations) and physical risks (disruption to supply chains). The electricity supply sector, meanwhile, is shifting towards renewable sources but remains heavily exposed to Scope 1 emissions. Companies that are still dependent on fossil fuels are particularly sensitive to carbon pricing and to coal and gas phase-out policies.

Net Zero funds stand out especially for their orderly and disorderly 1.5°C and 2°C transition scenarios in which they look relatively more resilient, indicating a certain degree of robustness in the event of a rapid transition. The two funds boast a large positive contribution thanks to the technological opportunity, which measures a company’s ability to capture the economic benefits of the climate transition.

* Network for Greening the Financial System.

REMIND NGFS* Climate VaR Aggregated Physical Risks

	1.5° – Orderly [%]	2°C – Orderly [%]	2°C – Disorderly [%]	3° – NDC [%]	3°C – Fragmented World [%]
R-co Valor	-1.5	-2.1	-2.2	-2.7	-3.0
R-co Conviction Credit Euro	-1.2	-1.8	-1.9	-2.4	-2.7
RMM Court Terme	-1.5	-2.2	-2.2	-2.9	-3.1
RMM Trésorerie 6M	-1.6	-2.2	-2.3	-2.9	-3.2
R-co Target 2028 IG	-1.6	-2.4	-2.6	-3.5	-4.0
R-co Target 2029 IG	-1.6	-2.3	-2.5	-3.1	-3.6
Dedicated bond fund	-1.5	-2.2	-2.2	-2.7	-3.1
R-co WM World Equities RDT - DBI	-0.8	-1.1	-1.2	-1.4	-1.6
R-co Conviction Equity Value Euro	-1.5	-2.2	-2.4	-3.0	-3.4
R-co Valor Balanced	-1.4	-2.1	-2.2	-2.7	-3.1
R-co 4Change Net Zero Equity Euro	-1.3	-1.9	-1.9	-2.5	-2.8
R-co 4Change Net Zero Credit Euro	-1.5	-2.2	-2.3	-3.0	-3.3
Direct investments – Rothschild & Co Asset Management	**-1.7**	**-2.6**	**-2.4**	**-3.5**	**-3.5**
Euro Stoxx	-1.2	-1.8	-1.8	-2.4	-2.7
MSCI World	-1.0	-1.4	-1.5	-1.9	-2.1
MSCI USA	-0.8	-1.1	-1.2	-1.5	-1.8
Bloomberg PAB Europe	-1.0	-1.4	-1.5	-1.9	-2.1
IHS Markit iBoxx € Corporates	-1.4	-2.1	-2.2	-2.8	-3.1
ICE BoFA Euro High Yield	-0.9	-1.4	-1.6	-1.9	-2.3
MSCI Corporate Bonds SRI PAB	-1.1	-1.6	-1.7	-2.1	-2.3

Source: Rothschild & Co Asset Management, MSCI ESG Research, 31/12/2024

Details about these scenarios are provided in the appendices.

* Network for Greening the Financial System.

The Climate VaR levels of our assets under management are more sensitive to physical risks than the benchmark indices are. This is because they are more exposed to issuers in the manufacturing industry and financial sector operating facilities in high-risk zones such as European coastlines, which are particularly vulnerable to extreme climate hazards. As expected, the orderly scenarios mostly present lower values than the disorderly and fragmented scenarios.

The two Net Zero funds perform broadly in line with their benchmark indices, although slightly lower, mostly because of their exposure to the manufacturing sector in which issuers are more vulnerable to extreme drought, coastal flooding and heavy precipitation scenarios.

REMIND NGFS* Climate VaR Aggregated Transition Risks

	1.5°C - Orderly [%]	1.5°C - Disorderly [%]	2°C - Orderly [%]	2°C - Disorderly [%]	3°C - NDC [%]	3°C – Fragmented World [%]
R-co Valor	-5.2	-6.0	-1.3	-2.2	-1.3	-1.1
R-co Conviction Credit Euro	-10.8	-11.0	-2.5	-6.6	-2.9	-3.1
RMM Court Terme	-8.5	-7.5	-1.5	-6.0	-2.2	-2.9
RMM Trésorerie 6M	-5.7	-6.1	-0.9	-3.1	-1.0	-1.3
R-co Target 2028 IG	-16.0	-18.4	-4.5	-10.3	-5.1	-6.5
R-co Target 2029 IG	-13.6	-15.6	-3.6	-8.6	-4.4	-5.3
Dedicated bond fund	-11.0	-12.0	-2.2	-6.2	-2.2	-2.7
R-co WM World Equities RDT - DBI	-5.9	-7.3	-1.0	-2.3	-1.0	-0.9
R-co Conviction Equity Value Euro	-14.0	-13.6	-5.9	-12.7	-6.6	-8.3
R-co Valor Balanced	-9.0	-9.8	-3.0	-5.9	-3.3	-3.7
R-co 4Change Net Zero Equity Euro	-3.5	-4.4	0.2	-2.5	-0.4	-0.9
R-co 4Change Net Zero Credit Euro	-5.1	-5.7	-0.3	-3.3	-0.9	-1.4
Direct investments – Rothschild & Co Asset Management	**-9.1**	**-9.9**	**-2.0**	**-5.4**	**-2.4**	**-2.8**
Euro Stoxx	-8.2	-8.7	-1.6	-5.0	-1.8	-2.2
MSCI World	-6.2	-7.4	-1.3	-3.0	-1.4	-1.3
MSCI USA	-5.2	-6.6	-1.0	-2.4	-1.3	-1.1
Bloomberg PAB Europe	-1.8	-2.2	-0.1	-0.9	-0.2	-0.3
IHS Markit iBoxx € Corporates	-8.3	-8.6	-1.5	-5.0	-1.7	-2.2
ICE BoFA Euro High Yield	-8.4	-8.7	-2.0	-5.2	-2.6	-2.9
MSCI Corporate Bonds SRI PAB	-4.7	-5.1	-0.9	-2.6	-1.1	-1.2

Source: Rothschild & Co Asset Management, MSCI ESG Research, 31/12/2024

Details about these scenarios are provided in the appendices.

* Network for Greening the Financial System.

Most of the funds in the table show positive trends, even though the results for total assets under management indicate that they are still more exposed to transition risk than their benchmark indices are.

Transition Climate VaR, which includes the Policy and Technology components, is driven mostly by the contribution from Policy Climate VaR. This reflects the fact that our AuM are more exposed to the regulatory risks associated with the transition than their benchmark indices are.

Our Net Zero range performs better than its benchmark indices do as the issuers it is made up of are more resilient to regulatory developments and, above all, have better prospects for integrating technological opportunities.

Ambitions

We intend to pursue our efforts in this area as we have effectively incorporated sustainability risks into our procedures and our institutional clients are increasingly interested in the topic.

- **Independent monitoring of sustainability risks by the Risk Management department:** Risk Committee meetings are held every half year, during which the results of the risk mapping process are presented and reported to the various heads of fund management and general management. Moreover, these results are available and can be accessed via a monitoring tool developed in-house. The investment teams receive training and are kept informed in this way, the aim being to understand these risk families more fully and factor them into the investment decision-making process.

- **Identification of the issuers most exposed to these risks:** discussions are held every half-year with all the analyst teams, resulting in the analysts and fund managers taking direct action. Issuers with the poorest sustainability performances are therefore subjected to an in-depth analysis incorporating market momentum, sectoral trends and strategic developments. In 2024, we performed this analysis on 40 issuers and 5 funds. These discussions with the analysts and fund management teams will continue to be enhanced by examining the trajectory followed by risk indicators and issuers, as has been the case since we began monitoring them in 2023.

- **Adjustments to the risk map and risk indicators chosen as they evolve:** 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 was reassessed in 2024, including an improved assessment of climate transition risk. Last of all, the sustainability risks map came into effect for our multi-management activities after fund-related indicators were incorporated.

We hope to use our sustainability risks map to acquire a deeper understanding of sustainability risks and therefore manage them more effectively. 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.

We pay particularly close attention to climate risks and keep a close eye on any changes to the methodologies used by our data provider, the results of which are presented in this report, but also those used by other renowned organisations. **In 2025, we joined the *Institut de la Finance Durable* working group on climate risk analysis,** the aim being to examine practices at reputable organisations such as the Banque de France and NGFS and therefore identify best practices for performing tests on portfolios and benchmark indices.

Principal adverse impacts

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

09

PAI (SFDR) report

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

	Items taken into consideration	Avenues for reflection and improvement
Climate change and environmental conservation	**Environment & climate** - Thermal coal exclusions and lower thresholds, in line with the global exit calendar - Exclusion of the tobacco sector, which has a major impact on the environment - Further progress towards our Net Zero objectives: 75% investment in companies whose decarbonisation targets out to 2030 have been validated by the SBTi - these targets cover our open-ended directly managed funds - Integration of transition profiles and potential for Paris Agreement alignment in our fundamental analyses: a proprietary framework for analysing each issuer's transition plan and assessing its robustness and credibility - Principles for investing in fossil fuels - Priority engagement (both individual and collaborative) on the climate transition theme - A monthly ESG report to monitor the carbon and transition profiles of our portfolios	**Environment & climate** - Efforts to gradually reduce our carbon footprints and place our investments on a Net Zero trajectory - A gradual increase in the number of our portfolio companies aligned with the Paris Agreement - Introduction of a more granular approach to monitoring our climate targets, including a sectoral and geographical perspective and consideration of the multitude of recognised frameworks and alliances - Deployment and automation of our proprietary framework for analysing transition plans - Reduced exposure to fossil fuels by achieving the targets set when selecting our investee issuers (methane reduction, green capex plans, etc.) and implementation of an exclusion policy for unconventional oil and gas - Improved modelling and understanding of transition climate risks
	Biodiversity - Reinforced biodiversity indicators used in the sustainability risk map - Inclusion of an indicator for assessing water management practices in our monthly ESG reports - Individual and collaborative engagement on the theme of biodiversity, membership of the Nature Action 100 initiative	**Biodiversity** - Introduction of exclusions for certain sectors with major impacts on biodiversity conservation - More in-depth biodiversity analysis tools by including new databases (CDP, ENCORE) to help identify the material challenges faced by our issuers
	Transversal - Controversy watch, analysis and oversight - Annual reporting of mandatory PAIs for Article 8 and 9 products - Support for the Polar Pod expedition	**Transversal** - Participation in financial industry working groups addressing the transition, climate risks and biodiversity - Increased integration of reported taxonomy alignment data in our operating systems and monthly reporting
Human rights, business ethics and respect for human dignity	- Norm-based exclusions relating to international sanctions, non-cooperative countries for tax purposes, the UNGC and all controversial weapons - Exclusion of the tobacco sector, which has a major impact on public health - Integration of social and governance factors in the stock selection process: scores assigned for the Social and Governance (S&G) pillars (minimum 33%), analysis of the issuer's S&G profile, controversies and respect for human rights - Individual and collaborative engagement on the just transition theme - Collaborative engagement alongside the French Sustainable Investment Forum with CAC 40 companies on the topic of governance best practices - Engagement on female representation in the workforce and on boards of directors - Annual engagement questionnaire sent out on the theme of inclusion and disability - A monthly ESG report to monitor S&G scores and the percentage of women on boards of directors - Annual reporting of all mandatory PAIs for all Article 8 and 9 products - Support for the Café Joyeux initiative	- Introduction of exclusions for certain resources with a big impact on biodiversity or causing social harm to local communities, particularly in terms of working conditions and public health - Follow-up and support for European efforts to establish a social taxonomy - Improved results in the area of female representation - Widespread adoption in our ESG reports of social indicators pertaining to inclusion and/or a just transition

Indicators applicable to investments in investee companies

	Adverse sustainability impact indicator	Metric	Impact 2024[1]	Impact 2023[1]	Coverage of total assets[3]	Coverage of eligible assets[2]
Climate and other environment-related indicators						
Emissions de gaz à effet de serre	1. GHG emissions	GHG emissions in tonnes of CO_2 equivalent (scope 1)	1,354,368	1,356,094	77.7%	88.3%
		GHG emissions in tonnes of CO_2 equivalent (scope 2)	272,444	251,754	77.7%	88.3%
		GHG emissions in tonnes of CO_2 equivalent (scope 3)	9,996,318	9,090,146	77.6%	88.2%
		GHG emissions in tonnes of CO_2 equivalent (scope 1/2/3)	11,622,632	10,696,959	77.6%	88.2%
	2. Carbon footprint	Carbon footprint in tonnes of CO_2 equivalent per million euros invested (scope 1)	57	66	77.7%	88.3%
		Carbon footprint in tonnes of CO_2 equivalent per million euros invested (scope 2)	11	12	77.7%	88.3%
		Carbon footprint in tonnes of CO_2 equivalent per million euros invested (scope 3)	414	448	77.6%	88.2%
		Carbon footprint in tonnes of CO_2 equivalent per million euros invested (scope 1/2/3)	482	527	77.6%	88.2%
	3. GHG intensity of investee companies	GHG intensity of investee companies (scope 1)	61	75	81.3%	92.4%
		GHG intensity of investee companies (scope 2)	22	21	81.3%	92.4%
		GHG intensity of investee companies (scope 3)	564	603	81.3%	92.4%
		GHG intensity of investee companies (scope 1/2/3)	788	699	81.3%	92.4%
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in thefossil fuel sector (%)	7.5%	9.2%	76.8%	85.5%
	5. Share of non-renewable consumption and production	Share of non-renewable energy consumption and production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources (%)	66.3%	63.7%	73.6%	82.4%
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million euros of revenue of investee companies per high impact climate sector	0.8	1.1	75.5%	84.7%
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in companies with sites/operations located in or near biodiversity sensitive areas where activities of those companies negatively affect those areas (expressed as a %)	7.0%	0.3%	81.2%	90.4%

(1) The principal adverse impacts are quarterly averages calculated over the year. The impacts expressed as a percentage are relative 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 total eligible assets, i.e. assets subject to the selected PAI.
(3) The coverage rate for total assets shows the percentage of assets returning data out of all portfolio assets.
* Principal adverse impacts (PAI) for the sustainability factors on which we seek to prioritise our efforts and resources for rolling out a responsible investment approach.

Explanation	Measures taken, measures planned and targets set for the subsequent reference period
The trend for absolute emissions is affected by the increase in assets under management over the financial year.	We pledge to support the Net Zero by 2050 target. We have set an intermediate target for 2030: for 75% of our assets under management to be invested in companies whose targets are aligned with a 1.5°C scenario, within the basket of assets held through our open-ended directly managed funds. We have come up against some obstacles in our pursuit of these SBTi targets due to the fact that not all sectors are covered, notably the energy and financial sectors. Recent developments, however, are encouraging. When analysing the sector, we already factor in other scientific reference frameworks such as the TPI and the financial sector's Net Zero alliances, thanks especially to our framework for analysing transition plans. In 2024, we extended the scope covered by our in-depth analytical framework by launching an automated version aimed particularly at covering the fixed income asset class more extensively. Where dialogue and engagement are concerned, as investors we will pursue our efforts on the climate theme and continue to advocate for scientific reference frameworks, while also spending more time ensuring that companies continue working towards their objectives and make effective progress on their decarbonisation trajectories. Other information is available in Section 6 of this report.
We do not discuss the decrease in carbon footprints as this was partly affected by the methodology used, which increases the EVIC base of certain issuers and therefore indicates a reduction in carbon footprint.	
The carbon intensity (Scopes 1, 2 and 3) of our assets under management fell in financial year 2024. This was attributable to a decrease in Scope 1 emissions over the year and also to allocation effects. Other information is available in Section 6 of this report.	
Significant decrease in the share of investments made in companies in the fossil fuel sector (oil, gas and thermal coal). More information is available in Section 5 of this report.	Our framework for analysing transition plans enables us to select the issuers that are most capable of completing their transition. We continue to keep a close eye on developments in the sector and also on best practices in the area of sustainable investment. In 2023, investment constraints became stricter under national labels (SRI, Finansol and Towards Sustainability). For those of our funds that apply a resolute sustainability strategy, we have complied with these frameworks, and this has involved selling certain positions held in this sector. That same year, the European Securities and Markets Authority (ESMA) published its fund naming guidelines: "green" and "sustainable" funds must now apply restrictive exclusions on these sectors. In keeping with our approach, "transition" funds, meanwhile, are example from any exclusion, it being understood that the energy transition needs to include support for such companies. More information is available in Section 5 of this report.
Stable trend.	No measures taken for the subsequent reference period.
Increased coverage of assets by our provider, thus improving the overall indicator.	No measures taken for the subsequent reference period.
Revision of the calculation methodology, thus altering the results scale.	In 2024, we chaired the AFG working group on biodiversity. Various additional levers are being put in place, such as: (i) a sectoral policy; (ii) engagement based on the identification of a priority list and participation in a collaborative initiative; (iii) more in-depth analysis of risks and opportunities: use of an open-source database and monitoring of the metrics and methodologies used by our providers.

	Adverse sustainability impact indicator	Metric	Impact 2024(1)	Impact 2023(1)	Coverage of total assets(3)	Coverage of eligible assets(2)
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per million euros invested, expressed as a weighted average	0.1	0.7	7.1%	8.0%
Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per million euros invested, expressed as a weighted average	0.8	3.1	65.6%	73.3%
Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (expressed as a %)	0.04%	0.3%	82.8%	92.1%
Social and employee matters	11. Lack of processes and compliance mechanisms to monitor compliance with the UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (expressed as a %)	1.0%	31.2%	80.1%	89.2%
Social and employee matters	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies (expressed as a monetary amount converted into euros)	0.1	0.13	54.6%	61.1%
Social and employee matters	13. Board genderdiversity	Average ratio of female to male board members in investee companies as a percentage of all board members	37.4%	36.2%	80.6%	90.4%
Social and employee matters	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (expressed as a %)	0.01%	0.02%	82.2%	91.5%
Climate and other environment-related indicators						
Environment	15. GHG intensity	GHG intensity of investee countries in tonnes of CO_2 equivalent per million euros of GDP	193	219	7.2%	99.4%
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations, as referred to in international treaties and conventions, United Nations principles and, where applicable, national law (as a numerical value)	0 direct investments / 7 via funds	0 direct investments / 6 via funds	6.4%	100.0%
Social	16. Investee countries subject to social violations	Share of investee countries subject to social violations, as referred to in international treaties and conventions, United Nations principles and, where applicable, national law (expressed as a %)	0% in direct investments / Not available via funds	0% in direct investments / Not available via funds	6.4%	100.0%

(1) The principal adverse impacts are quarterly averages calculated over the year. The impacts expressed as a percentage are relative 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 total eligible assets, i.e. assets subject to the selected PAI.
(3) The coverage rate for total assets shows the percentage of assets returning data out of all portfolio assets.
* Principal adverse impacts (PAI) for the sustainability factors on which we seek to prioritise our efforts and resources for rolling out a responsible investment approach.

Explanation	Measures taken, measures planned and targets set for the subsequent reference period
Revision of the calculation methodology, thus lowering the ratio, together with reduced exposure to certain issuers that had been the main contributors during the previous year.	No measures taken for the subsequent reference period.
Revision of the calculation methodology, thus altering the results scale.	No measures taken for the subsequent reference period.
Decrease over two years due to changes in the profiles of certain issuers held directly or indirectly	We exclude companies that violate the 10 principles of the United Nations Global Impact from our direct and indirect (fund) investments. For our 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 United Nations Guiding Principles on Business and Human Rights. Last of all, we have put in place a procedure for identifying, analysing and monitoring any controversies among our investments.
Revision of the calculation methodology, thus altering the results scale.	No measures taken for the subsequent reference period.
Stable trend.	No measures taken for the subsequent reference period.
Stable trend.	We monitor this impact via our monthly fund ESG reports. Female representation on boards of directors is among our engagement themes.
Residual exposure is due to application of our exclusion policy to our indirect investments, as we have set a very residual threshold of 1% maximum actual exposure to companies that are in breach of standards. It 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.	We exclude controversial weapons from all our investments, both direct and indirect. 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.
Decrease due to asset rotation and changes in the results obtained for issuers.	No measures taken for the subsequent reference period.
Stable trend.	No exposure, in line with our exclusion policy on international sanctions.
Stable trend.	

Adverse sustainability impact indicator		Metric	Impact 2024(1)	Impact 2023(1)	Coverage of total assets(3)	Coverage of eligible assets(2)
Optional indicators applicable to investments in investee companies						
Émissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement (expressed as a %)	46.2%	48.0%	80.5%	91.5%
Anti-corruption and anti-bribery policies	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption (expressed as a %)	1.8%	0.8%	80.0%	90.8%

(1) The principal adverse impacts are quarterly averages calculated over the year. The impacts expressed as a percentage are relative 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 total eligible assets, i.e. assets subject to the selected PAI.
(3) The coverage rate for total assets shows the percentage of assets returning data out of all portfolio assets.
* Principal adverse impacts (PAI) for the sustainability factors on which we seek to prioritise our efforts and resources for rolling out a responsible investment approach.

Explanation	Measures taken, measures planned and targets set for the subsequent reference period
Stable trend.	We pledge to support the Net Zero by 2050 target. We have set an intermediate target for 2030: for 75% of our assets under management to be invested in companies whose targets are aligned with a 1.5°C scenario, within the basket of assets held through our open-ended directly managed funds. More information about the measures taken to meet this target are presented in Section 6 of this report.
A higher ratio due to an increase in bond assets under management whose issuers are considered not to have an anti-corruption policy.	No measures taken for the subsequent reference period.

Appendices

A

A – MSCI ESG Research methodology

You can access the MSCI ESG Research methodologies by clicking on the following two links:

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:

A study of the company’s exposure to environmental risks and/or opportunities specific to its sector of activity and the policies/strategies in place to address them. Examples: physical risks linked to climate change, waste management, water stress, etc.

Social Pillar:

A study of the company's exposure to social risks and/or opportunities specific to its sector of activity and the policies/strategies in place to address them. Examples: staff training, product safety, audit of supply chain production practices, etc.

Governance Pillar:

A study of control bodies (e.g. level of independence of the board, accounting practices, etc.) and governance practices. Examples: ethical and business best practice procedures to control and limit the risk of fraud, management misconduct, corruption, money laundering, antitrust violations or tax controversies, etc.

Sovereign issuers are assessed primarily based on government ratings established by our non-financial data provider, MSCI ESG Research. To summarise the approach, a government rating is intended to reflect the country’s exposure to and management of environmental, social and governance risk factors, which can affect the long-term sustainability of its economy:

Environmental Pillar:

An assessment of the extent to which a country's long-term competitiveness is affected by its ability to protect, exploit and supplement its natural resources (energy, water, minerals, farmland, etc.), and to manage environmental externalities and weaknesses.

Social Pillar:

An assessment of 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 fosters its development, and to create a favourable economic environment (access to work: workers’ rights, job market, well-being, etc.).

Governance Pillar:

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

MSCI ESG Research :

We rely on the ESG ratings established by MSCI ESG Research, which rates companies from CCC to AAA (with AAA being the highest rating). MSCI ESG Research's rating philosophy is partly based

on the financial materiality of ESG issues, in keeping with our commitment to incorporate 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 documents published by the companies under review: annual reports, CSR reports, etc.

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

- 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 in place 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 to seize it.

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

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

The "Best-in-Class" approach favours companies with the best ESG ratings within their sector of activity, without favouring or excluding any sector.

In their rating processes, MSCI ESG Research analysts consider any controversies to which the companies may be exposed. ESG ratings are reviewed at least annually and may be revised on an ad hoc basis to take any new controversy into account. The MSCI ESG Research ratings allow us to screen and manage our investment universes in a transparent manner.

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 used by the tool developed by MSCI ESG Research consists in:

- Identifying 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.
- Raising awareness among companies and presenting 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

There is still a significant lack of issuer data on certain indicators, for a number of reasons. These include:

- The existence of companies that are not subject to reporting requirements
- The lack of relevance of certain indicators for certain industries
- A 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 any estimates. In some cases, however, where information from companies is not available, MSCI ESG Research provides estimated measures.

For quantitative measures, if a company discloses a null value for a performance indicator, the null value is collected and recorded for that company. A blank space may mean that the company does not disclose the data, is not part of the coverage universe or has not yet been researched.

For qualitative measures, if MSCI ESG Research finds no evidence of a publicly disclosed policy, it is indicated that there has been no disclosure by the company. A blank space 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 makes 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 PAIs for their portfolio positions at least once a quarter:
    - For qualitative indicators: the PAI of the position is the PAI of the issuer concerned;
    - For quantitative indicators: the total PAI at issuer level is attributed to the position held in the portfolio, using the size of the position and the company's EVIC:
        - For equity: 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 a portfolio-level PAI;

The results reflect the negative impact of the sub-portfolio comprised of holdings to which the indicator is applicable. For example, the indicators applicable to investments in investee companies are based on the sub-portfolio of holdings in those companies.

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

Methodological limitations

PAIs and their aggregation at portfolio level are still recent indicators undermined by a lack of maturity. For instance:

- Some PAIs have low coverage rates and are therefore not relevant when calculating a portfolio’s aggregated PAI.
- Our data provider, MSCI Research, may change the methodology used to calculate certain PAIs, making it difficult to compare results from one year to the next.
- Recent discussions within the financial community and ESMA's consultation on the 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 aggregated PAI results from one methodology to another. This makes it difficult for the end investor or distributor to compare funds on the basis of their PAIs.
- For our multi-management activities, we base our calculations on the PAIs of funds as calculated by MSCI ESG Research.

For Taxonomy information

MSCI ESG Research started collecting data published by issuers in 2023. Our data provider distinguishes between estimated data and data reported by issuers among the indicators presented. In this report, only data reported by companies are 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.

Climate Value at Risk

- Covers 300,000 financial instruments but does not cover funds.
- Models 10 extreme weather hazards: extreme heat, coastal flooding, river flooding, precipitation, low river flow, tropical cyclones, extreme wind, extreme cold, extreme snowfall and fire.
- Incorporates future technological opportunities.
- Calculates and analyses transition risks for the NGFS +1.5°C, +2°C and +3°C benchmark scenarios.

These forward-looking climate scenarios are taken from the REMIND (Regional Model of Investments and Development) model, which simulates interactions between the economy, energy and the climate on a global scale. It is developed and used by the NGFS (Network for Greening the Financial System) to draw up benchmark climate scenarios split into three main families:

- **Orderly scenarios** - Climate policies are implemented early and gradually. Physical and transition risks are moderate.
- **Disorderly scenarios** – Policies are implemented belatedly or incoherently between different countries and sectors. This results in higher transition risks.
- **Hot House World / Too Little Too Late scenarios** – Climate efforts are inadequate to limit global warming. These scenarios incur severe and irreversible physical risks, with major consequences for ecosystems, health, infrastructures and the economy.

The results presented in this report focus on the following sub-scenarios:

- **1.5°C Orderly:** global warming limited to 1.5°C, aligned with the Net Zero 2050 scenario aimed at achieving global carbon neutrality by 2050 with climate policies implemented rapidly and in a coordinated manner. This is the most ambitious of the orderly scenarios and involves high transition costs but low physical risks.
- **1.5°C Disorderly:** global warming limited to 1.5°C, aligned with the Delayed Transition scenario and resulting in delayed implementation of climate policies with a brutal and costly transition for companies (rapid increase in carbon prices, accelerated technological adjustments).
- **2°C Orderly:** global warming limited to 2°C, in line with the Below 2°C scenario suggesting a gradual but less ambitious scenario than the 1.5°C scenario. Transition costs are generally lower but long-term physical risks are higher.
- **2°C Disorderly:** global warming limited to 2°C, in line with the Below 2°C scenario and involving a less aggressive emissions trajectory in the short term but with less political coordination, resulting in higher transition costs and greater uncertainty for companies.
- **3°C Hot house world:** global warming of around 3°C, in line with the NDC (Nationally Determined Contribution) scenario based on current commitments reflecting ongoing climate policies but no upscaling. It involves low transition costs but exposes companies heavily to future physical risks.
- **3°C Too little, too late:** global warming of around 3°C, in line with the Fragmented World scenario corresponding to a low level of climate ambition with policy responses delayed and divergent between the world's regions. It assumes a lack of international coordination, with very high physical risks and transition risks that are present but haphazard.

B – EthiFinance methodology

EthiFinance :

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

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

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

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

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

C – Carbon4 Finance methodology

Carbon4 Finance offers three services that we use for our assessment of:

- Transition risks, through its CIA module: Scope 1, 2 and 3 carbon footprints, emissions saved, climate scenarios
- Impact on biodiversity, through its BIA-GBS module: MSA.km2 Scopes 1, 2 and 3, ten terrestrial and aquatic pressures

1. Carbon Impact Analytics

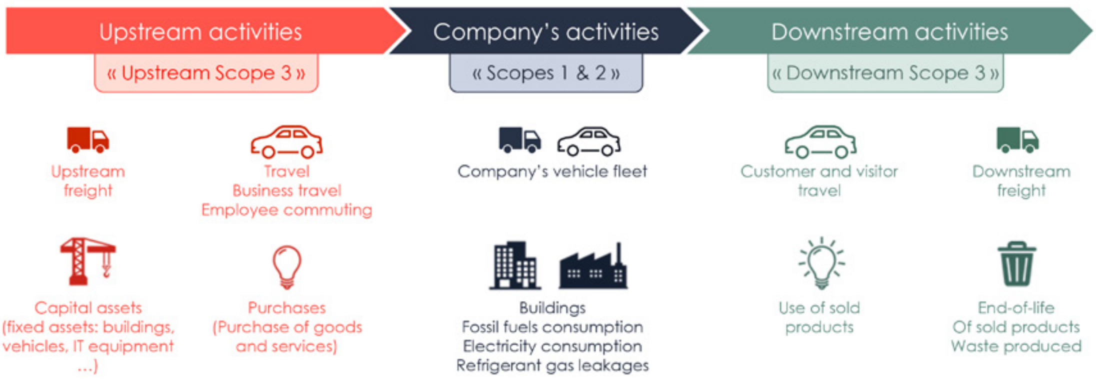
carbon
impact
analytics

The four main methodological pillars of CIA:

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

Scope 1, 2 and 3

The CIA methodology takes Scope 1, 2 and 3 emissions into account in order to capture the whole spectrum of climate challenges:



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 emissions saved for sovereign issuers, which are therefore excluded from the calculation scope 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 difference between induced emissions and a benchmark 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 models and for measuring their contribution to the transition towards a low-carbon economy.

* Nomenclature statistique des activités économiques dans la Communauté européenne (NACE, or statistical classification of economic activities in the European Community).

Forward-looking analysis

The forward-looking score is based on an assessment of objective sub-criteria specific to each sub-sector:

- The company's climate change strategy
- The level of investments in low-carbon projects or in R&D
- The target to reduce Scope 1 & 2 intensity
- The target to reduce Scope 3 intensity
- The governance of climate-related risks and opportunities

A company is rated for 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 sector benchmarks and the 2°C trajectory observed in each sector. A company's forward-looking score is the average of its scores across the five sub-sectors.

Carbon Impact Ratio:

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

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

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

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 towards 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 score 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 compilation of induced and saved emissions.

  Treatment of double counting within the same value chain

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

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

  Treatment of double counting between different sectors of the global economy

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

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

  Therefore, the CIA methodology reprocesses the total GHG emission figures by allocating one third of the emissions from each category.

  In particular, the CIR identifies companies that have made their operations significantly more carbon efficient, and companies that sell products and solutions leading 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 emissions induced by its activities and products. As such, it represents a company's contribution to the transition to a low-carbon economy.

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

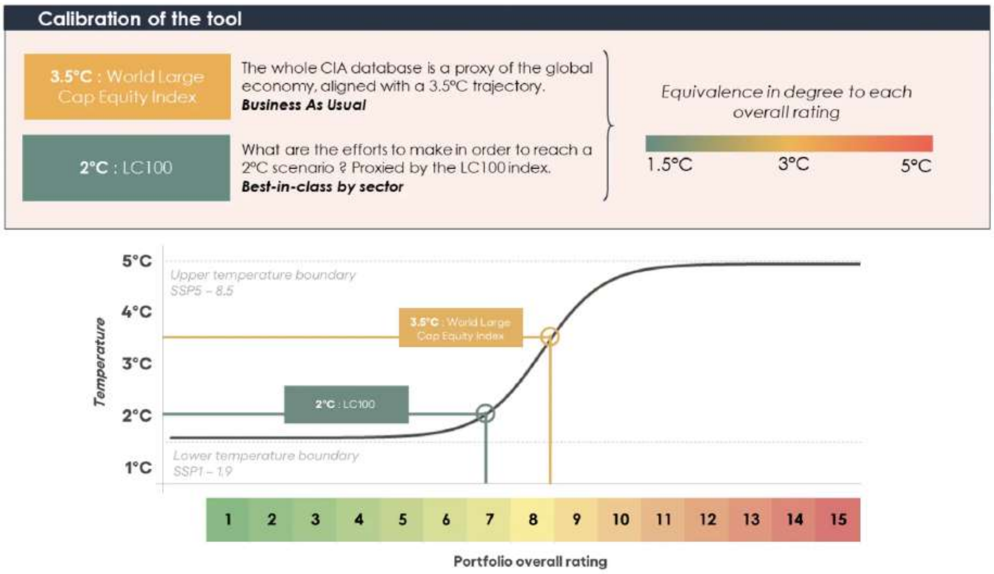
Another method is applied to portfolios to eliminate double counting. At the macroeconomic level, GDP is affected by corporate and sovereign income. To eliminate multiple counting in portfolios, a ratio is applied to each category of issuer, representing the company's or sovereign's share of average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

- Step 2: Portfolio aggregation

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

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

- Step 3: Calculating alignment with a 2°C scenario



Source: Carbon4 Finance

Methodological limitations of CIA as communicated by Carbon4 Finance

- Difference in scope between the 2°C reference point (Europe) and the 3.5°C reference point (World): the temperature formula is calibrated using two reference points: Low Carbon 100 for the 2°C reference point (low-carbon economy) and MSCI World for the 3.5°C reference point (representing the global economy in a business-as-usual scenario). However, the global listed economy is not the same as the European listed economy, so the calibration is not 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 rigour more difficult to assess. The margin of error of the results would also increase with the number of assumptions, which could make it more difficult to manage a climate strategy at portfolio level.

2. Biodiversity Impact Analytics

The 5 main methodological pillars of BIA

1. A metric that is aggregated in MSA (Mean Species Abundance) based on the pressure-impact relationships used in the GLOBIO model (Global biodiversity model for policy support). An in-depth assessment of a portfolio's impact is calculated in terms of MSA.km² and corresponding intensities. To align with regulatory recommendations (e.g. PCAF) and requirements (e.g. SFDR), we now use enterprise value including cash (EVIC) in the calculation to represent the value of the issuer. The approach used for sovereigns is consumption rather than production, in order to take account of imports and exports.
2. Biodiversity dimensions: a multidimensional approach integrating the complexity of ecosystems:
   - Spheres of biodiversity: terrestrial and aquatic
   - Temporal accounting: static (accumulated stock of impacts) and dynamic (variation in the stock of impacts)
3. Extended coverage of the value chain: the impacts of Scope 1, Scope 2 and Scope 3 upstream (downstream in some cases) are taken into consideration. The model takes the entire value chain into account.
4. Dependency score: this measures a portfolio's dependency on 21 ecosystem services. The critical dependency score depends on the critical exposure of one or more activities to one or more ecosystem services.
5. Alignment score: the proportion of the portfolio invested in companies whose two static intensities (aquatic and terrestrial) are below the average for their sector.

Pressures on biodiversity

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

- Changes in land and sea use. Land take is a major cause of habitat destruction and ecosystem fragmentation.
- Overexploitation of land and sea resources
- Climate change
- Pollution, which affects all environmental compartments
- Species that disrupt certain equilibriums on a local level

PRESSIONS IPBES	PRESSIONS GBS / GLOBIO		
	Terrestre	Eau douce	Marin
Changement d'usage des sols et des mers	Usage des terres Fragmentation Enrochement	Conversion des zones humides	Non couvert
Exploitation directe	Pressions dues à l'extraction des ressources (agriculture, bois, mines...)	Perturbation du système hydrique du à l'usage de l'eau	Non couvert
Changement Climatique	Changement Climatique	Perturbation hydrologique due au changement climatique	Non couvert
Pollution	Dépôts aériens azotés Ecotoxicité	Usage des sols dans les zones humides Eutrophication de l'eau douce Ecotoxicité	Non couvert
Espèces invasives	Non couvert	Non couvert	Non couvert

Source: Carbon4 Finance

MSA metric

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

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

Static and dynamic impacts

The BIA-GBS™ differentiates between static impacts (accumulated stock of impacts) and dynamic impact (variations in the stock of impacts).

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

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

How BIA-GBS™ works

The BIA-GBS™ assesses 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 to fine-tune its analyses, in particular the Carbon Impact Analytics (CIA) model for the value chain analysis, and the Climate Risk Impact Screening (CRIS) model for the geographical and sectoral breakdown analysis.

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

BIA-GBS uses the Scope concept in order to spread impacts across the entire value chain and provide a means of avoiding double counting. 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 come under Scope 3 downstream.

The Carbon4 Finance data used for GHG emissions cover Scope 3 upstream and downstream. Only Scope 3 upstream 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 sector is limited.
- Marine biodiversity is not taken into account.
- Invasive species and soil degradation are not yet taken into account; overexploitation is only partially taken into account and is partly integrated with other pressures.
- Scope 3 downstream impacts are only taken into account for pressures linked to climate change.

It is conceivable that providers of non-financial data may face certain methodological limitations, which could include any of the following examples:

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

Table of cross-references with the TCFD's recommendations

Thematic area	Recommendations	Corresponding sections / pages in this report
Governance: Disclose the organization's governance around climate-related risks and opportunities	Describe the board's oversight of climate-related risks and opportunities Describe management's role in assessing and managing climate-related risks and opportunities	Section 1 "Our sustainable approach" Section 8 "Sustainability issues in risk management"
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Section 6 "Our path towards alignment with the Paris Agreement" Section 5 "Fossil fuels, a transition sector undergoing its own transition" Section 4 "The European Taxonomy, a springboard to a sustainable economy" Section 8 "Sustainability issues in risk management"
Risk management: Disclose how the organization identifies, assesses, and manages climate-related risks	Describe the organization's processes for identifying and assessing climate-related risks Describe the organization's processes for managing climate-related risks Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Section 8 "Sustainability issues in risk management"
Metrics & targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	"Section 6 "Our path towards alignment with the Paris Agreement" Section 8 "Sustainability issues in risk management" Section 5 "Fossil fuels, a transition sector undergoing its own transition" Section 4 "The European Taxonomy, a springboard to a sustainable economy"

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Sources: Rothschild & Co Asset Management, MSCI ESG Research, Carbon4 Finance – December 2024.

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