# ROTHSCHILD & CO INVESTMENT MANAGERS

## Information concerning Sustainability Risk Policy

### 1. Scope of this document

This document covers Rothschild & Co Investment Managers (hereinafter referred to as "the Company").

### 2. Purpose of this document

The purpose of this document is to present how the Company and its delegated portfolio managers' policies integrate sustainability risks into their investment management processes.

### 3. Definition of sustainability risk and importance of having policies covering this risk

Sustainability risk includes any environmental, social or governance event or condition that, if it occurs, could have a significant negative impact, actual or potential, on the value of the investment.

As responsible and committed management companies, the Company and its delegated portfolio managers wish to participate in the orientation of financial flows towards actors implementing responsible and sustainable practices through their investment choices and an active engagement approach.

Anticipating and managing the transition to more sustainable business models are important elements the Company and its delegated portfolio managers consider, due to the risks and opportunities they may present in the short, medium and long terms. Indeed, sustainability issues can materialize in particular through:

- A deceleration or a rapid decline in historical activities in consideration of new consumer trends and environmental challenges;
- Additional investment needs following regulatory changes;
- Impairments of assets.

Consequently, the Company and its delegated portfolio managers seek to identify the impact of sustainability risks on the intrinsic elements of each investment (e.g. financing needs, competitive positioning, default risk, etc.) over the long term.

The integration of ESG criteria through fundamental analysis and the assessment of sustainability issues in investment policies focus particularly on achieving the following objectives:

1. Benefiting from a better general understanding of risks so as to better protect the portfolios managed by the Company or its delegated portfolio managers;
2. Creating long term value for investors and support the development of a sustainable economy as responsible management companies;
3. Achieving in the end a better appreciation of the underlying assets.

### 4. Integration of sustainability risks into investment decisions

#### 4.1 Governance and Sustainability Risk Integration Process

##### 4.1.1 Governance and integration of responsible investment issues at the Company and its delegated portfolio managers

Governance and the integration of issues related to responsible investments are based on a set of relevant ESG policies – relating among others to Fundamental Principles, Thermal Coal, Oslo & Ottawa Regulations – and ongoing monitoring frameworks.

The Company and some of its delegated portfolio managers also rely on Group Committees and Teams:

- A Responsible Investment Committee, composed by senior representatives from each business line reporting to the Group Executive Committee;
- It is supported by a Group Responsible Investment Team, in charge of harmonizing ESG processes and assisting entities on their strategic ESG developments.

### 4.1.2 Integration of sustainability issues when analysing and selecting securities and funds

The investment management processes of the Company and its delegated portfolio managers are centred on compliance with internal policies relating to a combination of financial and ESG performance analysis which may cover among others:

1. Implementation of exclusion policies for both managed funds and funds of funds, including:
   - Exclusion of companies subject to international sanctions (UN, OFAC, EU...);
   - Exclusion of companies involved in the production of controversial weapons (Oslo Treaty of 2008 and Ottawa Convention of 1997);
   - Exclusion of companies that do not respect fundamental principles, that cause serious misconducts such as human rights violations, significant environmental damage or severe cases of corruption;
   - Exclusion of companies involved in new development projects and/or not having a defined exit strategy from the thermal coal sector (production, exploration, extraction, transformation, production of electricity from thermal coal).

**Elements on Rothschild & Co's Coal Policy**

In line with the criteria defined in the Group's ESG integration process, the Company and its delegated R&Co portfolio managers have set common guidelines regarding investments in the thermal coal sector. These are in line with the international coal phase-out schedule, for which clear deadlines have been set: 2030 for Europe and the OECD and 2040 for the rest of the world.

The investment principles relative to the thermal coal sector apply to the Company and its delegated R&Co portfolio managers.

These principles are an integral part of the sustainable investment framework that covers the Company and its delegated R&Co portfolio managers' in their portfolio management activities, if they respect the following characteristics:
1. They are in line with the approach to integrate ESG criteria into the investment strategies;
2. They contribute to a response to the risks induced by climate change to better protect investors;
3. They are representative of the Company and its delegated R&Co portfolio managers' desire to contribute to the transition towards a more sustainable economy.

2. The objective of complying with a minimum ESG rating for the managed funds.

3. Integration of sustainability issues in the investment grid of each of the financial assets in which the Company or some of its delegated portfolio managers may invest.

The selection of funds by the multi-management teams of the Company or some of its delegated portfolio managers also considers ESG issues through the implementation of due diligence questionnaires prior to any investment decision (e.g. review of exclusion policies in place, ESG process, adherence to international codes and standards, SFDR product classification, etc.).

### 4.2 Summary of the Company and its delegated portfolio managers' Engagement Policies

The Company and some of its delegated portfolio managers have implemented in respect of their investments in listed companies Engagement Policies which may be structured on three main pillars:

- Communication with companies and asset managers through 1-to-1 meetings and collaborative engagement initiatives;

- Voting policy respecting the principles of responsible investment. For multi-management activity, questions on the voting policy may be included in the due diligence process.
- Adherence to responsible investment promotion initiatives such as:
  - UNPRI, Climate 100+, etc...
  - Participation to workshops organised by local professional associations.

### 4.3 Control systems put in place

Sustainability risks are considered in a cross-divisional approach by the Company and some of its delegated portfolio managers who may cover among others:

- Integration of sustainability risks in research work and exchanges with target investments and partner asset managers;
- Involvement of portfolio managers in the effective integration of ESG principles and the understanding of their impact on the underlying assets;
- Implementation of efficient and reliable monitoring tools;
- Automation of ESG reporting and data integration;
- Elaboration of risk management solutions and auditing of ESG commitments.

The Company and some of its delegated portfolio managers' internal control frameworks – oversight, risk management and compliance/internal control – integrate sustainability risks in a comprehensive way, in particular through:

- The implementation of risk management controls aimed at controlling ESG risks (compliance with specific ESG restrictions provided for in the regulatory documentation of the funds) and their integration within Risk Committees, where relevant;
- The integration of sustainability risks within the compliance/internal control framework (risk mapping, procedures and control plan). In this regard, specific controls are realised to ensure that investments comply with fund selection criteria. In addition, the implementation of automatic blocking controls prevents investment in securities on exclusion lists (compliance with regulatory exclusion lists, international sanctions or discretionary exclusions in connection with the coal policy);
- Conducting audits of funds by the internal audit department.

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