

Rothschild & Co

Asset Management Europe

ESG Policy



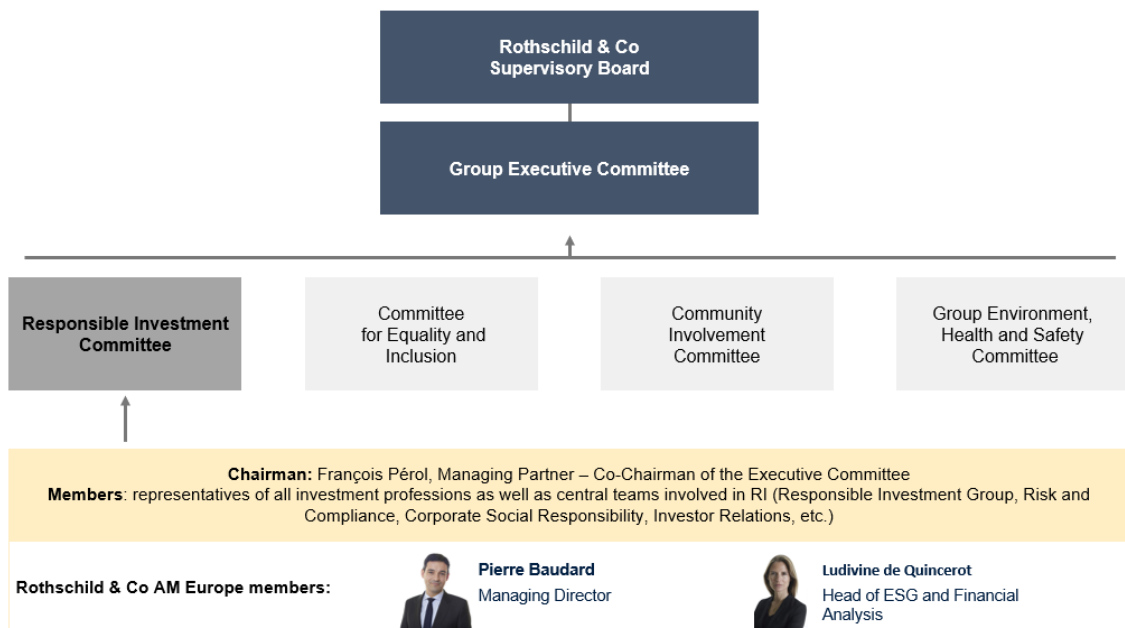
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1 | Introduction

Corporate Responsibility and Responsible Investment issues are key to our business and are overseen directly by members of the Rothschild & Co Group’s management and Supervisory Board.

Our Corporate Responsibility strategy and policy is initiated, defined and steered by the Group Executive Committee. When necessary, the Group Executive Committee decides on Corporate Responsibility issues at its ordinary meetings and presents the strategy to the Supervisory Board at least once a year. A member of this Committee is responsible for all of global initiatives in this area.



Four Group committees have been created to support the work of the Group Executive Committee:

<p style="font-size: 2em; font-weight: bold; margin: 0;">1</p> <p style="font-weight: bold; margin: 5px 0;">Responsible Investment Committee</p> <ul style="list-style-type: none"> By being a committed investor and offering sustainable investment products, we are working on a Group-wide ESG integration strategy to influence the transformation of industries towards sustainable practices. 	<p style="font-size: 2em; font-weight: bold; margin: 0;">2</p> <p style="font-weight: bold; margin: 5px 0;">Committee for Equality and Inclusion</p> <ul style="list-style-type: none"> Rothschild & Co provides long-term opportunities for our talents and promotes a diverse, inclusive and flexible environment that enables all employees to achieve their personal and professional aspirations. 	<p style="font-size: 2em; font-weight: bold; margin: 0;">3</p> <p style="font-weight: bold; margin: 5px 0;">Community Involvement Committee</p> <ul style="list-style-type: none"> We define and drive the Group’s community engagement strategy to achieve our overall mission: to make a meaningful difference for disadvantaged children and young people. 	<p style="font-size: 2em; font-weight: bold; margin: 0;">4</p> <p style="font-weight: bold; margin: 5px 0;">Environment, Health and Safety Committee</p> <ul style="list-style-type: none"> Through our activities, products and services, we are committed to offering added value to our businesses and our customers’ activities, adopting a sustainable and environmentally friendly approach to contribute to the conservation and protection of the planet’s natural resources.
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The Group Responsible Investment Committee comprises senior representatives from (i) each investment business line and (ii) cross-functional divisions (Compliance, Risk, etc.). It is supported by the Group Responsible Investment team to ensure effective coordination between the various Rothschild & Co entities.

The Group has set itself the goal of building a robust responsible investment framework over the next three years and integrating all its investment businesses into it by 2022. The action plan is based on three priorities:

1. Defining a consistent responsible investment framework covering all of our investment areas;
2. Strengthening our engagement policy;
3. Strengthening the product range we offer.

Rothschild & Co Asset Management Europe, a committed asset manager

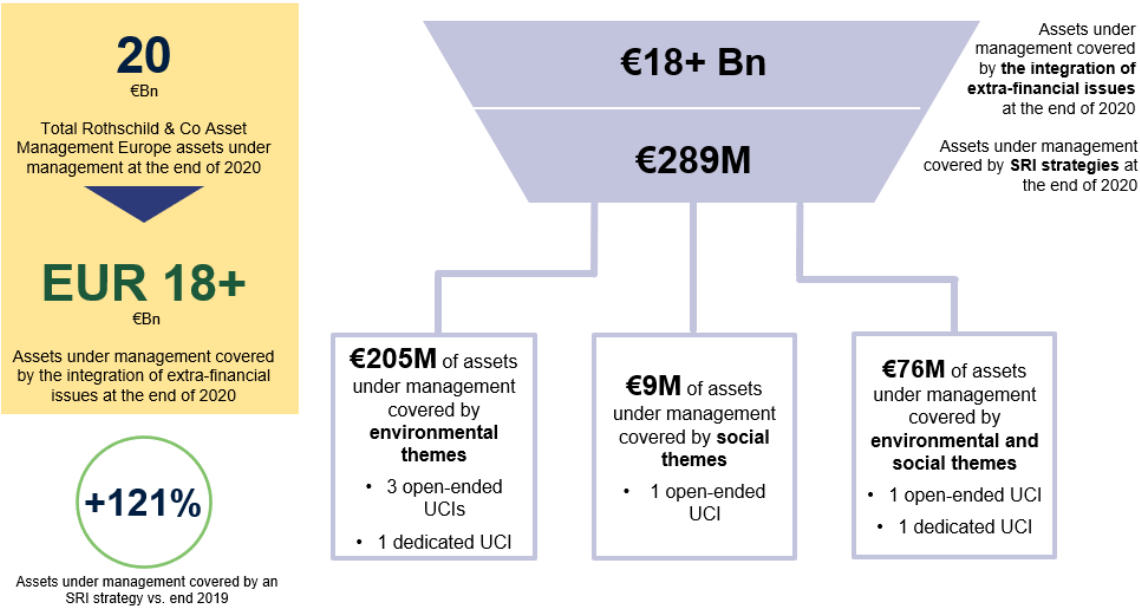
As a responsible and committed investor, we have defined key elements that are common to all our investment areas as part of our sustainable approach. We integrate sustainability risks and opportunities into our investment processes across all our ranges:



- **“Conviction”** consolidates funds implementing active management of equities, fixed income and balanced funds. It is characterised by the strong positions taken by managers with regard to their market expectations and the analysis of the stocks making up their investment opportunities. These funds are mainly invested in euros and compared to a benchmark.
- **“Valor”**, inspired by its flagship fund R-co Valor, benefits from “carte blanche” management, with no constraints in terms of benchmark or geographical area. These portfolios are invested in all asset classes, without any sector or style bias.
- As its name suggests, **“Thematic”** covers funds invested in promising themes that offer good long-term prospects, such as listed real estate, population ageing and gold mining. These investments are made in stocks and bonds.
- **“4Change”** comprises our funds aimed at combining financial performance, enhanced ESG selection and emphasis on having an impact. Its management seeks above all to ensure that its investment choices are part of a sustainable approach in terms of both ecological and social transition. This range is mainly composed of labelled funds.
- **Open architecture** and the **“OPAL”** range, which is more specifically dedicated to distribution networks looking for open architecture investment solutions.

In addition, the **“RMM”** range has been developed for the needs of the Group's private clients.

As of 31/12/2020, more than 90% of our assets incorporate Environmental, Social and Governance (ESG) criteria.



2 | Philosophy and Responsible Investment

Our responsible investment approach has been under development since 2011, when we became a signatory of the United Nations Principles for Responsible Investment.



2011	R&Co AM Europe, UN PRI signatory Equities (2011), Bonds (2015), Multi-management (2012)	 
	Implementation of a voting policy Promotes the principles of responsible investment (ISS)	
2012	First ESG rating tool Development of our first rating tool on the basis of extra-financial criteria	
2015	Work on the Carbon trajectory	
	Change in provider of extra-financial data	
2017	The R&Co Group becomes signatory of the CDP	
	Creation of a Sustainable Investment team	
2018	"Low Carbon" institutional mandate	
	Release of the R-Co 4Change range by R&CO AM Europe	
2019	R&Co AM Europe joins Climate Action 100+ Up2Green Reforestation partnership	 
	Creation of an R&Co Group Responsible Investment (RI) committee	
2020	Adoption of an RI Group roadmap	
	Establishment of Thermal Coal Group investment principles	
	Duo for a Job partnership	
	Institutional mandate in line with the Church doctrine	
Launch of the Green Bonds fund		
Launch of a diversified allocation fund labelled "Towards Sustainability"		

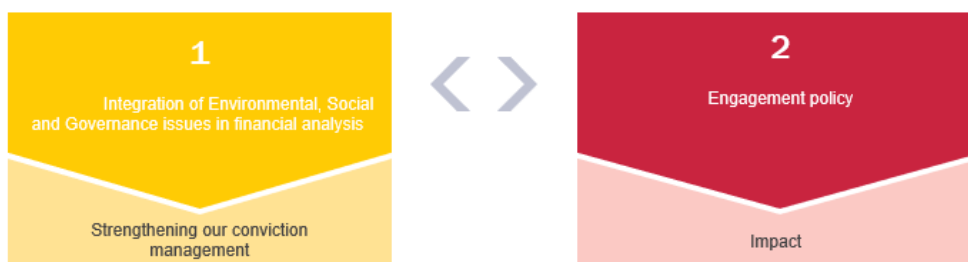
Our process has been enhanced in three ways since 2011:

- In terms of the tools at our disposal: we implemented a voting policy that promotes the principles of responsible investment in 2011, developed our first portfolio rating tool based on ESG criteria in 2012 and started working on the carbon intensity of our portfolios in 2015.
- In terms of asset classes covered: equities, bonds, convertibles, traditional multi-management funds.
- In terms of products, with the launch in 2019 of the 4Change range: strategies dedicated to specific sustainable themes (social or environmental issues, climate challenges and carbon emissions) based on demanding SRI processes in terms of exclusion, selection and commitment in line with the theme of the fund. The funds meet the requirements of European sustainability certifications.

Since its inception, our approach has been based on two complementary pillars:

- The integration of sustainability issues in the financial analysis is aimed at enhancing our conviction management: it enables us to complete our analysis grid through the integration of ESG criteria in the selection of stocks and UCIs in the portfolio;
- Our engagement policy allows us to influence the companies in our investable universe.

OUR RESPONSIBLE APPROACH



Almost all of our direct and long-only assets follow a pragmatic ESG-integration process:

- Compliance with a common set of exclusions:
 - Regulatory exclusions: controversial weapons and international sanctions;
 - Discretionary exclusions: fundamental principles and investment principles relating to the thermal coal sector.
- Inclusion of ESG criteria in our convexity analysis and in our open architecture due diligence questionnaires.
- Rating of our portfolios based on ESG ratings: common objective of a minimum ESG rating of BBB for all our direct management funds or monitoring the ESG rating of portfolios to meet their specific constraints.
- Dialogue and engagement policy: our active engagement policy is based on a voting policy that observes the principles of responsible investment, a dialogue with issuers and our participation in market initiatives to promote sustainable investment.
- The development of climate indicators and ESG reporting: we calculate specific climate indicators for our directly-managed funds and for our “long only” fund of funds, with a view to understanding the risks and opportunities associated with them. We compile:
 - A detailed ESG profile of the fund (ESG rating, rating trends and sector distribution);
 - Carbon intensity, deviation from benchmarks, detailed contribution by sector and identification of the largest contributing issuers or UCIs;
 - Transition profile (exposure to issuers with reduction targets, portfolio transition score, exposure to different transition categories via our underlying holdings).

3 | Resources

We treat ESG as a global issue, which is tackled horizontally within our management company. Because it is central to our management expertise, ESG has an impact on all our activities and therefore on our teams.

The **ESG and Financial Analysis** team is composed of 7 people under Ludivine de Quincerot. The analysts work alongside the managers to analyse large-cap companies. These analysts are organised by sector to ensure optimal coverage of the securities in the investment universe. They mainly cover the Stoxx 600 index.

Main tasks:

- Carrying out financial analyses that include ESG considerations on sectors, issuers and transversal sustainability themes;
- Coordinating the voting policy and steering the engagement policy;
- Drafting and standardising ESG processes within the various management expertises;
- Selecting and developing ESG tools;
- Getting involved in the sales process and in product reflection;
- Contributing to training the teams on sustainable development issues.

Securities are selected for our portfolios according to a financial analysis process that integrates ESG criteria and assesses their relevance so that they can be incorporated into our valuation forecasts and their impact on the valuation of securities can be estimated. The simultaneous and parallel integration of financial and sustainability criteria allows us to establish our convexity analyses. This comprehensive 360° approach is how we build up our convictions. To this end, the portfolio managers can rely on the ESG and financial analysis team, which includes analysts who mainly cover our equity conviction and thematic management.

The team's main tasks are to coordinate the research effort and to train the teams as well as raise their awareness of sustainable investment issues through regular presentations, case studies and sector studies. It conducts research on companies and/or sectors to support the investment choices of the management teams.

The Head of the team is responsible for steering and standardising ESG processes amongst the management areas, coordinating the research effort and maintaining relations with external service providers. Moreover, she actively participates in discussions on the development of the products on offer, the establishment of investment strategies and compliance with market regulations. In addition, she contributes to the business development and coordination of the sales effort on the 4Change range and more generally on the ESG processes of R & Co Asset Management Europe funds.

Alongside the head of the team and the analysts, the team also includes:

- A business manager who participates in the research effort as well as in the discussions on ESG methodologies and strategies and contributes to the coordination effort and to business development.
- A financial engineer who participates in the development of quantitative tools and in the coordination of our voting policy.

ESG and Financial Analysis team at Rothschild & Co Asset Management Europe:

A team of 7 people with two divisions, the division for financial and extra-financial analysis, and the "Projects" division, which provides:

- ✓ Financial analysis on European Equities
- ✓ ESG analysis on European securities
- ✓ Expertise in all ESG topics (fund labelling, calls for tender, implementation of French and European doctrines, reflections on the range, launch of new products, etc)
- ✓ Coordination with the "Group Responsible Investment" team and based on the "ESG Referents" defined within each management division

The **Credit financial analysts** incorporate sustainable issues into their research and their discussions with companies.

The **Management** teams are aware of and committed to sustainable issues and ESG criteria. ESG referents have been identified within each management area and they are the main contacts for the coordination with the ESG and Financial Analysis unit on these sustainable issues, particularly through the dissemination of studies and participation in discussions on new sustainable investment opportunities or new management tools. Fund managers are responsible for ensuring that the sustainable investment principles established by the company are properly applied within their funds.

A team that is central to our management



A collaborative approach



The **Risk Management** and **Compliance** teams are involved in developing solutions to monitor and verify our commitments.

The **Product Management** team is involved in managing the product range and creating new products, as well as providing support for projects.

The **Reporting** teams actively help to develop efficient and reliable monitoring tools.

Our research work

The ESG and Financial Analysis division and the management teams are committed to understanding, analysing and assessing ESG risks and opportunities specific to sectors of activity, stocks or UCIs.

Our investment decisions and portfolio management are based not only on MSCI ESG Research, but also on our own financial analysis work that takes sustainability issues into account.

In particular, we rely on the annual, sustainability, impact or CSR reports of companies and funds, our discussions with company executives, including management companies, with whom we meet, brokers' notes, NGO reports, specialised academic research papers or open-access databases such as the analyses carried out by the Science Based Target initiative (SBTi), the Transition Pathway initiative (TPI) or the Carbon Disclosure Project (CDP), so that we can incorporate ESG criteria into our convexity analyses.

If a controversy emerges, our teams endeavour to contact the company within a reasonable period of time and we may have to review our investment approach.

Combining our analytical capacity with a recognised external data provider: MSCI ESG Research

We rely on the ESG research and ratings produced by MSCI ESG Research, which rates companies from CCC to AAA (AAA being the highest). MSCI ESG Research's rating philosophy is partly based on the materiality of ESG issues, in line with our commitment to incorporate sustainability issues into our convexity analyses.

Letter rating	Final industry rating / 10
AAA	8.6 - 10.0
AA	7.1 - 8.6
A	5.7 - 7.1
BBB	4.3 - 7.1
BB	2.9 - 4.3
B	1.4 - 2.9
CCC	0.0 - 1.4

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

- Macroeconomic and sectoral data published by governments, NGOs, and academic institutions,
 - Data obtained directly from the publications of the companies under review: annual reports, CSR reports, etc.
- In summary, for each key ESG issue identified (between 3 and 8 depending on the industry) by sector:
- MSCI ESG Research assesses the exposure of the company under review to the envisaged risk (based on its business model, its presence in certain countries, etc.) and the policies and actions implemented to address it;
 - In the same vein, where there is an opportunity, within the sector under consideration, MSCI ESG Research examines the company's exposure to the opportunity and the initiatives in place to address it.

The main criteria used in the ESG analysis of issuers are based on the MSCI ESG Research methodology and are as follows:

- Environmental pillar: study of the company's exposure to environmental risks and/or opportunities specific to its sector of activity and the policies/strategies implemented to address them. Examples: physical risks linked to climate change, waste management, water stress, etc.
- Social pillar: study of the company's exposure to social risks and/or opportunities specific to its sector of activity and the policies/strategies that have been implemented to address them. Examples: employee training, product safety, audit of supply chain production practices, etc.
- Governance pillar: study of control bodies (e.g. level of independence of the board, accounting practices, etc.) and governance practices. Examples: anti-corruption policy, etc.

Ratings are assigned on a sector-by-sector basis using a "Best-in-Class" approach, which favours the best-rated companies from an ESG point of view within their sector of activity, without favouring or excluding any sector:

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

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

- Environmental pillar: assessing the extent to which a country's long-term competitiveness is affected by its ability to protect, exploit, supplement its natural resources (energy, water, minerals, agricultural land, etc.), and manage environmental externalities and vulnerabilities.
- Social pillar: assessing the extent to which a country's long-term competitiveness is affected by its ability to maintain an active, healthy, well-educated and stable population (basic needs, education systems, access to technology, ...), to develop human capital based on a solid knowledge base in an environment that fosters its development, as well as to create a favourable economic environment (access to work: rights, market, welfare, etc.).
- Governance pillar: assessing the extent to which a country's long-term competitiveness is impacted by its institutional capacity to support the long-term stability and performance 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.

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

A temporary internal rating may be implemented in the event of major capital transactions that could significantly alter the issuer's ESG rating and for which our external data provider, MSCI ESG Research would need time to account for the adjustment.

4 | ESG Integration

We are convinced that the sustainability issues that our modern societies are facing require an adaptation of the economic model. We want to be part of this transformation by influencing the companies in our investment universe to change their practices and provide tangible solutions.

Our exclusion framework

We have established a common exclusion framework for our direct and open architecture investment vehicles. We favour commitment over any systematic exclusion mechanism (except for regulatory exclusions): we consider that part of our role as a responsible investor is to understand the dynamics of the transition in motion, both for our investors and for all our stakeholders.

Our products adopt a common exclusion framework:

- The Ottawa and Oslo Conventions on controversial weapons (cluster bombs and anti-personnel mines). We use the MSCI ESG Research controversial weapons exclusion list.
- International sanctions (UN, EU, OFAC, France, etc.).
- Fundamental principles through the integration of public lists compiled by reliable third parties.

Exclusion policy with regard to Fundamental Principles

The exclusion policy deals with investments that we make on our own or on behalf of clients in companies. We may exclude companies that are directly exposed to the following, based on information from credible third-party sources:

- Serious human rights violations;
- Serious violations of the rights of individuals in situations of war or conflict;
- Serious environmental damage, including unacceptable greenhouse gas emissions;
- Cases of severe corruption;
- Other particularly serious violations of fundamental ethical norms.

By default, it does not cover:

- Index-linked instruments nor index-linked structured products.

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

Listed and unlisted assets under direct management¹

- For companies in which we do not have existing investments, no investments will be made in companies that are involved in a Fundamental Principles breach.
- For companies in which we have existing investments that are exposed to a Fundamental Principles breach, we will cease to invest within 18 months in companies which are still exposed to a Fundamental Principles breach. For unlisted investments, divestment is more complex and our policy needs to be slightly different.

¹ The implementation process had to be slightly adapted to meet the specific constraints of sector funds compared to a highly concentrated index.

Assets managed by external financial managers and listed and non-listed funds of funds

- For assets managed by external financial managers, our exclusion policy applies to the delegated management company for the part of the portfolio delegated to it.
- Where we do not invest in individual companies but rather in third-party funds or funds of funds, the implementation of this exclusion policy will require to integrate the analysis of the exclusion policy relating to Fundamental Principles implemented by third-party fund managers into our fund selection process.

- Our investment principles relating to thermal coal through the inclusion of the NGO Urgewald's Global Coal Exit List (updated at least annually).

Investment principles relating to thermal coal

1. We will no longer lend to or invest in companies involved in projects to develop new thermal coal mines or coal-fired power plants.
2. No further investment will be made and no new financing will be provided to companies whose:
 - More than 30% of revenues comes from thermal coal activities;
 - More than 30% of the energy mix (per MWh generated) is based on coal;
3. No further investment will be made and no new financing will be granted to companies which:
 - Annual thermal coal production exceeding 20 MT per year;
 - Installed coal-fired capacity exceeding 10 GW.

These thresholds will apply until the end of 2020 and will be reviewed periodically.

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

- We will engage with companies to discuss their coal exposure;
- On a case-by-case basis, we will continue to provide financial support to companies implementing a coal exit strategy;
- We will stop investing or lending to companies that do not implement an exit strategy following our engagement.

When we do not invest directly in companies but rather in third-party funds or funds of funds, the implementation of these principles is more complex. Therefore:

- We will integrate in our fund selection process, the analysis of the principles implemented by third-party fund managers in relation to coal investment;
- We will specifically review our allocations in third-party funds where the manager(s) has/have not established a coal exit strategy.

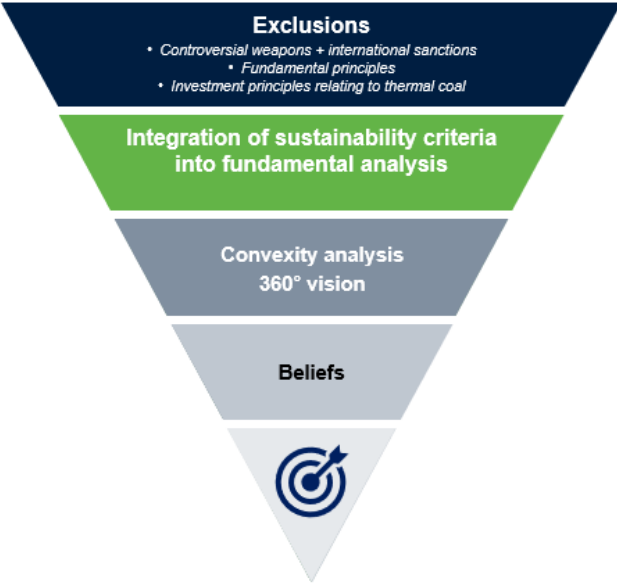
In general, we believe that active dialogue with companies on their exposure to thermal coal can encourage them to improve their knowledge of climate risks and take steps to reduce their environmental impacts.

Integrating ESG criteria into our analysis

Growth and investment must be sustainable. This requirement is being addressed by all economic players. Whatever the sector, geographical region or competitive environment, ESG now has a major impact on growth prospects, financing capacities, reputations and customers, and hence on valuations.

If we are to actively manage our clients' financial assets, it is essential to see ESG as a key element of an asset's value and its long-term performance, and not just as the sum of 'extra-financial' criteria. We need to be able to form an opinion on the soundness and relevance of a business model, the credibility of the management team and its ambitions, and the ability to finance and implement future developments.

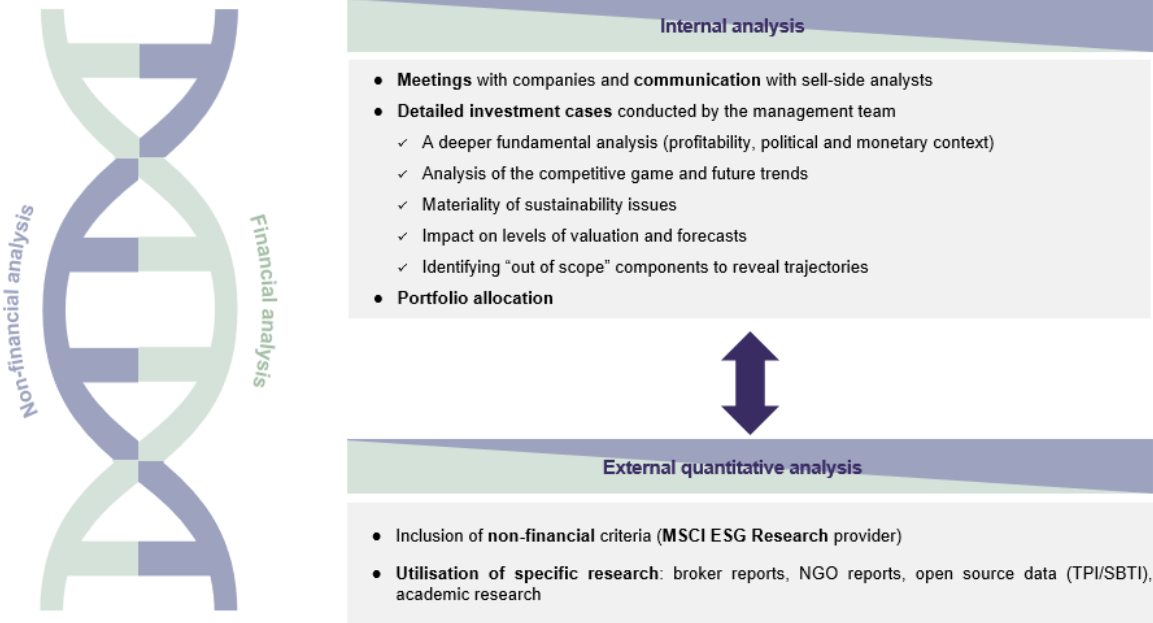
For this reason, all our managers and analysts include sustainability issues and ESG targets as a key element in the valuation of securities, the analysis of underlying risks, and the construction of portfolios.



The approach to integrating ESG criteria into fundamental analysis and assessing sustainability issues in investment policies seeks to achieve the following objectives:

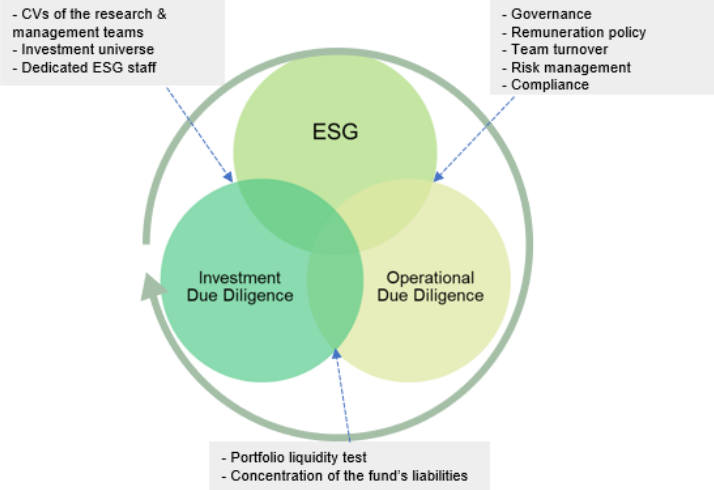
- To gain a better overall understanding of risks and thus better protect portfolios;
- To refine the valuation and selection processes in open architecture to grasp new opportunities;
- And finally, to assess the convexity of our investment choices more accurately.

Integration of ESG criteria into our direct management



Integration of ESG criteria into our open architecture

❖ Integrated process



- 360° analysis within a common ESG framework**
- ✓ Compliance with the Oslo & Ottawa Conventions on controversial weapons
 - ✓ Compliance with the fundamental principles
 - ✓ Compliance with Rothschild & Co Group investment principles relating to the thermal coal sector

❖ Unique questionnaire

- ✓ Governance
- ✓ Exclusion policies implemented within the management companies and specific to each fund
- ✓ The inclusion of climate-change risks and opportunities in the investment process (e.g. the company's ability to calculate the carbon footprint of its investments)
- ✓ The engagement policies implemented by partner management companies, including their voting and dialogue policies as well as their membership of international initiatives that aim to promote good environmental practice
- ✓ Human resources development
- ✓ The fund's responsible investment process

Our “4Change” range

Based on our experience in ESG integration and our management expertises, we have developed a comprehensive and innovative SRI product range.

We have built SRI strategies with enhanced investment and portfolio construction processes, focusing on specific sustainable themes. The management objective is to make a positive sustainable contribution.

Our 4Change strategies are based on:

- Dynamic filters, reinforced exclusions and compliance with market standards, specific to the sustainable theme of each fund, such as: UN Global Compact, International Labour Organisation, Green - Social - Sustainable Bonds Principles and Guidelines, Offensive weapons, Alcohol, Tobacco, Pornography, Gambling or Fossil fuels and polluting sectors.
- Through our selection process and the sustainable theme of each fund, we strive to contribute to the United Nations’ Sustainable Development Goals (SDGs).
- Active engagement through a dedicated questionnaire and targeted dialogues around the sustainable issues specific to the theme of each fund.
- A stringent framework: the standards of the French state (SRI label) or Belgian (Towards Sustainability label) labels
- ESG quality and performance indicators in line with the sustainable strategy of each fund are integrated into the reporting.
- Enhanced transparency: a Transparency Code detailing how the above requirements are applied.



Specific investment solutions

We also have the ability and capacity to develop dedicated, tailor-made ESG investment vehicles. These solutions seek to implement enhanced ESG strategies, in terms of both normative and/or sectoral exclusions and selection processes, in line with the client’s own sustainability awareness and convictions.

5 | Commitment

We believe that active dialogue with issuers encourages them to improve their knowledge of sustainability risks and to take action to reduce their negative externalities.

We aim to help adapt our business model to the social and environmental challenges we face by engaging with our corporate and partner asset managers.

We engage with issuers to:

- Understand the trajectory, assess it and monitor it over time;
- Implement a dynamic exclusion policy;
- Encourage changes in issuers' practices.

Integrating engagement into the analysis process

With all the issuers we meet, sustainability issues are discussed to measure the willingness and commitment of the players on these subjects. This allows us to better understand their environmental and/or social transition trajectory, their alignment with temperature scenarios and to have a more detailed analysis of their positioning.

We seek to foster constructive exchanges around strong and effective recommendations for the implementation of best practices with issuers from “controversial” sectors or those lagging behind in the integration of sustainability issues.

In case of controversy on ESG aspects, we contact the issuer to clarify our analysis. We may then decide to exclude, reduce or increase the exposure (if the controversy is unfounded, for example). We may decide to sell a position if the issuer does not change its practices or meet its commitments after a certain period of time.

Integrating our voting policy into our engagement policy

The way we exercise our voting rights is an integral part of our engagement. In fact, participation in general meetings is the continuation of the dialogues that have been implemented.

Since 2011, we have implemented a voting policy that promotes the principles of Responsible Investment. The specialist company Institutional Shareholder Services (ISS, <https://www.issgovernance.com/>) analyses proposed voting resolutions and makes reasoned voting recommendations that comply with the principles of responsible investment. These recommendations are not binding. The investment teams remain the final decision makers.

We are also involved in collaborative engagement initiatives such as Climate Action 100+, which we joined in 2019.

Climate 100+ is an initiative that brings together more than 540 investors and over \$52 trillion in assets under management. It aims to engage in constructive dialogue with the largest greenhouse gas emitters to encourage them to:

- Establish a climate-smart governance framework and
- Develop tangible initiatives to reduce their emissions across their value chain
- Observance of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

6 | Controls

At Rothschild & Co Asset Management Europe, several teams are in charge of controls. These departments are independent of the fund management department.

Compliance and Internal Control

- Functional reporting: Rothschild Martin Maurel Chief Compliance Officer
- Reporting line: Managing Director

Compliance ensures that the securities in the portfolio comply with:

- Regulatory exclusions (compliance with the Oslo and Ottawa Conventions, international sanctions);
- Compliance with the Fundamental Principles;
- The investment principles relating to the thermal coal sector in force within the investment guidelines of the Rothschild & Co Group.

“Prohibited” securities are included in our order placement tool to avoid operational errors, thereby ensuring a fully integrated pre-trade control.

Internal Audit conducts an annual ESG review.

Internal Audit

- Reporting line: Group Internal Audit Officer

During its missions, the Internal Audit team verifies the continuity and consistency of the control procedures in place.

The Risk Management Department

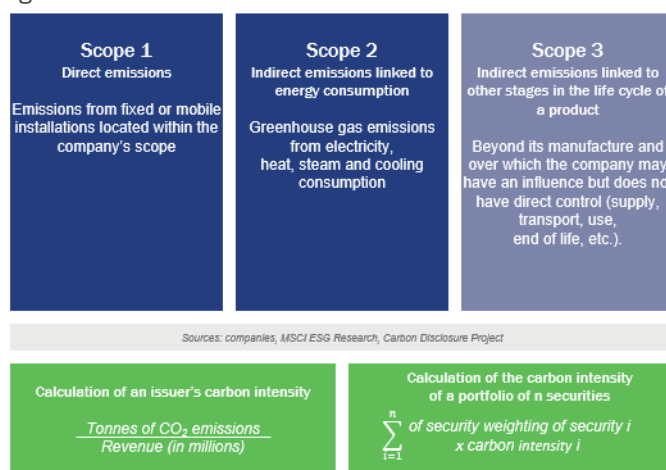
- Functional reporting: Rothschild Martin Maurel’s Chief Risk Officer
- Reporting line: Managing Director

The Risk Management Department ensures that the securities in the portfolio comply with the specific investment commitments and constraints, in particular those for the funds within the 4Change range.

7 | Impact measurement and ESG reporting

The ESG quality of our directly managed funds and funds of funds is reflected through ESG indicators.

- Average ESG rating of the portfolio, and ratings by E-S-G pillar
- Distribution of ESG ratings within the portfolio and by sector
- Study of the trajectory of the portfolio in terms of ESG ratings (rating trends year-on-year on a like-for-like basis)
- Calculation of carbon intensity (1 & 2 tonnes of carbon emissions per million euros in revenues) with a study of the gap with the benchmarks, details of the contribution by sector and identification of the top contributing issuers or UCIs



We also calculate ESG performance and impact indicators.

- For highlighting environmental performance:
 - Environmental rating
 - Carbon intensity
 - Green fraction
- For highlighting social performance:
 - Social rating
 - Women's representation on the Board
- For highlighting governance performance: the fund's governance rating
- For highlighting the trajectory and considering transition issues:
 - the "Low Carbon Transition Management" score: this (0 - 10) score is an indicator of a company's performance in managing the risks and opportunities associated with the transition to low carbon. It combines management assessments for the following key issues: Carbon Emission for all companies, Product Carbon Footprint, Financing Environmental Impact, Opportunities in Clean Tech and Opportunities in Renewable Energy, if available. Higher scores indicate a greater ability to manage risk.
 - Portfolio breakdown by Low Carbon Transition Category: The "Low Carbon Transition Category indicator" classifies companies according to their exposure to the risks and opportunities associated with the low-carbon transition. The categories are: Locked-in Assets, Operational Transition, Production Transition, Neutral and Solutions.
 - Exposure to issuers that have defined a carbon-reduction target.

8 | CSR initiatives

We participate in working groups of financial players to promote best practice within the industry.

- UN PRI: leading promoter of responsible investment worldwide. Participation in events and collaborative research.
- AFG Responsible Investment Committee: The Association Française de la Gestion Financière (AFG) represents all the stakeholders in the asset management industry. It organises a periodic plenary session dedicated to Responsible Investment, in which we participate.
- Office de Coordination Bancaire et Financière, member of the OCBF Climate/Green Finance/Impact Committee: working groups on coal exposures and the integration of taxonomy issues.



We also support local initiatives on responsible investment.

- 2 Degrees Investing Initiative: an international and independent think tank that coordinates research projects globally and rallies stakeholders to align financial markets and regulations with the objectives of the Paris Agreement.
- Urgewald: Environmental and human rights NGO, which initiated the Global Coal Exit List, an information and reference tool for the development of new policies and practices for investors in the coal sector.
- Climate Action 100+: an initiative to engage in constructive dialogue with the largest emitters of greenhouse gases.



We are also involved in philanthropic activities.

- Polar Ocean, POLAR POD Expedition: led by the French explorer Jean-Louis Etienne on board of the oceanographic vessel, this expedition will enable the acquisition of long-term data and observations that will be passed on to researchers, oceanographers, climatologists and biologists. The expedition has two major objectives:
 - A Climate objective: this vast polar ocean is the planet's main carbon sink, and the Polar POD will make it possible to measure its carbon absorption performance.
 - A Biodiversity objective: observations and inventory of marine fauna.



We are developing partnerships with associations.

- Through the development of “sharing funds”:

In the case of our sharing funds, we pay back part of our financial management fees to associations that we have selected in line with the fund’s theme and management objective. These payments do not provide any tax advantage either for investors or for Rothschild & Co Asset Management Europe.

Annual reports are produced on these partnerships.

We have developed the following partnerships:

- R-co 4Change Climate - Up2Green Reforestation: the objectives sought through this partnership are both (i) environmental (contribution to soil rehabilitation, biodiversity conservation and CO₂ storage in particular) and (ii) social (contribution to the education of current and future generations in particular).
- R-co 4Change Human Values - DUO for a JOB: the objectives sought through this partnership are social. DUO for a JOB is an association engaged in intergenerational and cultural mentoring, which brings together young refugees and minority job seekers with experienced people over 50 years old from the same professional sector, so that the latter can support them in their search for employment.



- At the level of the Management Company:

Our partnership with Up2Green Reforestation also extends to our Management Company. Aware of the growing expectations of its portfolio companies, beyond the objectives and initiatives led by the Rothschild & Co Group, we have developed a 5-year partnership in 2019 with the objective of promoting the reforestation and development of local communities in Colombia.

 55K trees over 5 years 11K trees per year: theoretical number of trees for one year of CO₂ emissions from R&Co AM Europe	 Agroforestry as a key element of the local community programmes	 16 beehives in 4 communities through the Beekeeping project
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Our Group CSR policy - Rothschild & Co

The Rothschild & Co Group published its environmental charter in 2017 and implemented a number of initiatives to limit its environmental impact: internal carbon price charged to the Group's various entities, support for the creation of natural carbon sinks, sustainable procurement policies, initiatives to reduce emissions related to our operational activities, etc.

Since 2017, the Group has been a signatory to the Carbon Disclosure Project (CDP - Rothschild & Co Group 2020 rating = A- vs. B in 2019) and provides public support to the Task Force on Climate-related Financial Disclosures, TCFD. Rothschild & Co is engaged in an exercise to assess and improve the incorporation of climate challenges within its various business lines.



The Rothschild & Co Group has been awarded the “Climate Neutral Operations for Financial Services” label by South Pole for 2019 and 2020.

A strategy to reduce our carbon impact has been defined at Rothschild & Co Group level, based on the following objectives in particular:

- Achieving climate neutrality by 2020: Rothschild & Co has been awarded the “Climate Neutral Operations for Financial Services” label by South Pole for 2019 and 2020;
- 10% reduction in greenhouse gas emissions per full time equivalent by 2025 (vs. 2018);
- 100% renewable energy by 2025 (vs. 2018).

At group level, Rothschild & Co has set targets for responsible consumption and resource management:

- Reduce energy consumption in offices by 10% per FTE by 2025 (vs. 2018)
- Reduce paper consumption by 25% per FTE by 2025 (vs. 2018)
- 100% sustainably sourced paper by 2020 (vs. 2018)
- Achieve a collective recycling rate of 80% by 2025 (vs. 2018)
- Eliminate landfill by 2030 (vs. 2018)

Details of our implemented [CSR policy](#) can be found on the Rothschild & Co Group website.

9 | Investor information

We have formalised our responsible investor approach through the drafting of [different documents](#), which are available on our website (<https://am.fr.rothschildandco.com/en/>).

Policies / General documents

- This ESG Policy
- Engagement policy including voting policy
- Investment principles relating to the thermal coal sector
- Sustainability risk policy for investments
- Principal adverse impact policy
- Open-ended funds that respect our ESG Policy
- Summary of ESG ratings of our main open-ended funds

Specific documents

- Transparency Codes for 4Change-labelled funds

Reports

- Annual reports
- ESG reporting of our open-ended funds
- Annual engagement report, including the report on the exercise of our voting rights
- Combined annual report TCFD - Art 173
- UN - PRI transparency report, available on the [PRI website](#)

It is not a promotional document.

Sources: Rothschild & Co Asset Management Europe as of 10/03/2021.

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