Five Arrows

Rothschild & Co

Sustainability Report 2023

Five Arrows Sustainability Vision

Five Arrows looks to maximise long-term value creation for all stakeholders by being a responsible investor and promoting sustainability across our business

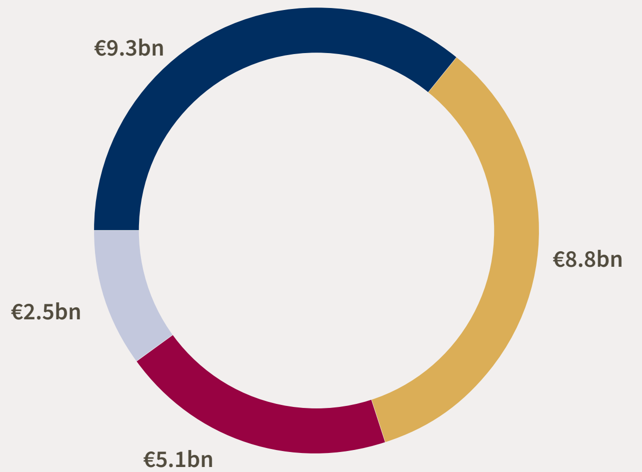
INTRODUCTION

Five Arrows and its approach to sustainability

Five Arrows at a glance

Five Arrows is the alternative assets arm of the Rothschild & Co Group. As of 31 December 2023, our assets under management totalled over €26 billion[1], comprising:

FIGURE 1. FIVE ARROWS AUM BREAKDOWN BY INVESTMENT STRATEG



OUR STRATEGIES

- Corporate Private Equity (CPE)
- Credit Management (CM)
- Multi-Strategies (FAMS)
- Direct Lending (DL)

Five Arrows manages a wide range of investments: from buyouts to collateralised loan obligations (CLOs), from majority to minority investments, and from equity to debt. Each investment strategy has its own set of sustainability levers, ranging from negative screening to deeper integration and management of ESG risks.

Launched in 2009, the Five Arrows team currently consists of over 260 professionals based in London, Paris, Luxembourg, New York, Los Angeles and San Francisco.

The Five Arrows Sustainability strategy is part of a comprehensive approach that is defined at the Rothschild & Co Group level ("R&Co", or "the Group"), specifically covering Five Arrows Managers LLP, Five Arrows Managers SAS, Five Arrows Managers North America LLC, Five Arrows Managers USA LLC and Rothschild & Co Investment Managers, hereafter referred to as "Five Arrows". This report summarises our sustainability vision and outlines the way we look to tackle the main sustainability-related risks and opportunities that we face.

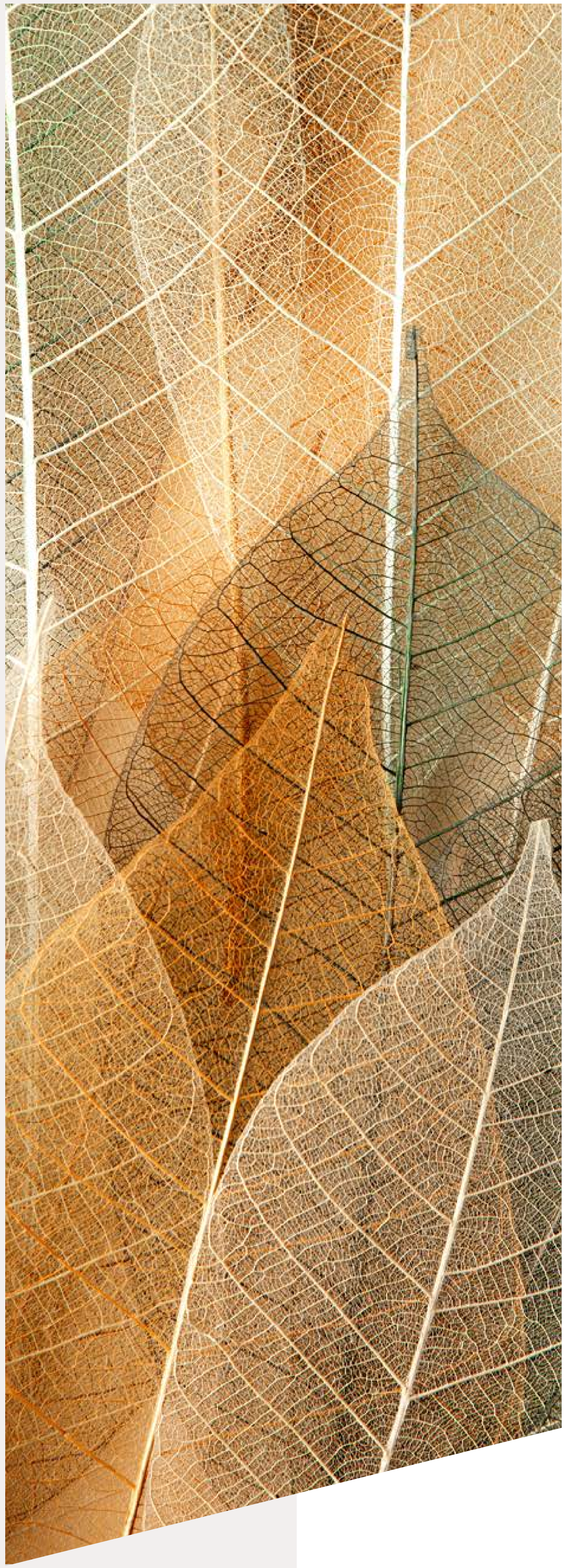
€26BN
of assets under management

4
investment strategies

260+
people

6
offices

4
professionals dedicated to sustainability



[1] Total net asset value and undrawn commitments.

Our sustainability path

2012-2014

- Became a signatory to the UN PRI

Signatory of:

PRI Principles for Responsible Investment

- Disclosed ESG relevant information to investors on our website and in our annual reports

2015-2016

- Created the Five Arrows Sustainability Board
- Organised training through the PRI Academy for "ESG Champions" appointed in each of our funds' investment teams

2017-2018

- Publicly disclosed our ESG policy
- Integrated ESG criteria into our pre-investment processes
- Included ESG topics on the agenda of the Five Arrows Investor Days

2019-2020

- Formalised a sector-based exclusion policy
- Tailored our ESG integration processes for each investment strategy

2021

- Created a dedicated sustainability team
- Launched R&Co4Generations, Rothschild & Co's philanthropic foundation
- Launched Five Arrows Sustainable Investments (FASI)

2022

- Reinforced our ESG reporting with a dedicated tool and follow-up reports for each contributor
- Created a training programme to raise awareness about climate change

2023

See Five Arrows 2023 Highlights on next page

Five Arrows 2023 Highlights

MORE THAN
95%
employees trained on Diversity and Climate

NEW PARTNERSHIP between Rothschild & Co and HEC Paris for data and impact investment

4
NEW ESG DUE DILIGENCE TOOLS

NEW REPORTING TOOL with an increase of 21 percentage points in the response rate compared to 2022[2]

8
SUSTAINABILITY NEWSLETTERS sent to our teams

61%
of active, eligible funds[1] in 2023 **CLASSIFIED ARTICLE 8 OR 9 UNDER SFDR**

NEW SUSTAINABILITY COMMITTEE established within our CPE strategy

MORE THAN
1 MEUR
donated by the Five Arrows team to NGOs since 2015

+1
DEDICATED ESG EXPERT within our Corporate Private Equity strategy to further promote sustainability

21%
WOMEN in our investment teams

3
NEW SCORING SYSTEMS during the holding period

PROMOTING GENDER DIVERSITY through our Level 20 sponsorship

Common reputational **SCREENING TOOL**

10%
ANNUAL BONUS compensation linked to sustainability criteria

MORE THAN
70
FACTSHEETS generated for our companies and fund managers

OUR ECOSYSTEM OUR TEAMS OUR INVESTMENTS

As at 31 December 2023

[1] Funds raised after March 2021, when SFDR took effect.

[2] On the total net asset value covered by the sustainability reporting process. This excludes Credit Management, Five Arrows Minority Investments (FAMI) and FAPEP's co-investments since their ability to access the ESG information we require is currently limited.

Five Arrows sustainability strategy

Our sustainability strategy is built around our teams, our investments and our ecosystem

Our Teams

Because Five Arrows is a people-focused company, and our greatest asset is our people. We empower them to embrace sustainability and make a positive impact.

Our Investments

Because this is where we have the most significant impact as a responsible investor.

Our Ecosystem

Because Five Arrows is committed to contributing to the way our industry develops its approach to sustainability.

The Five Arrows investment philosophy is deeply rooted in the notion of long-term thinking, resulting in a sustainability strategy that is:

- **Ambitious**, because of the range of subjects we look to tackle, the objectives that we set ourselves, and the speed with which we are moving to meet these goals. This is especially true when considering the diversity of the Five Arrows investment strategies.
- **Inclusive**, because everyone has a role to play, from back office to front office, and from junior to senior professionals. The governance arrangements and training programme that we have set up are evidence of this.
- **Innovative**, because this strategy is improving the way we work internally and with our partners. Collective intelligence and creativity are key to onboarding our stakeholders, seizing business opportunities, and accelerating our agenda.

Our strategy is built on three pillars that are interrelated and form part of a set of commitments that we take within Our Teams, Our Investments and Our Ecosystem. We aim to maximise long-term value creation for our stakeholders and investors by promoting the material factors that underpin the development of sustainable business.

In 2012, we made a commitment to uphold the United Nations Principles for Responsible Investment. As of 2023, Five Arrows obtained the following scores:

★★★★☆	Policy, Governance & Strategy
★★★★☆	Direct – Private Equity
★★★★☆	Direct – Fixed Income – Corporate
★★★☆☆	Direct – Fixed Income – Securitised
★★★★☆	Direct - Fixed income - Private debt
★★★★☆	Confidence building measures

Signatory of: PRI Principles for Responsible Investment

Strong governance to steer our approach

The Five Arrows Sustainability Board steers the execution of our strategy and comprises Managing Partners from each of the Five Arrows investment verticals.

Rothschild & Co Gestion, as the Group's Statutory Partner, defines the Group's aspirations for embedding sustainability within its strategy and determines its key focal points. The Group's governance evolved in 2023 to clarify roles and responsibilities and ensure that this new structure aligns with Rothschild & Co's goals.

The decision-making process for R&Co relies on its Management Board, which Alexandre de Rothschild chairs and whose other members include Javed Khan, Managing Partner and CEO of Five Arrows. A newly formed Sustainability Committee reports directly to the Management Board.

From the Group's goals, Five Arrows has designed its governance framework to promote transparency and accountability, while facilitating integration of our sustainability principles across all the functions within Five Arrows (investment teams, HR, legal, investor relations, compliance, risk, finance, IT, operations, etc).

The Five Arrows Sustainability Board comprises Managing Partners from each of our investment verticals:

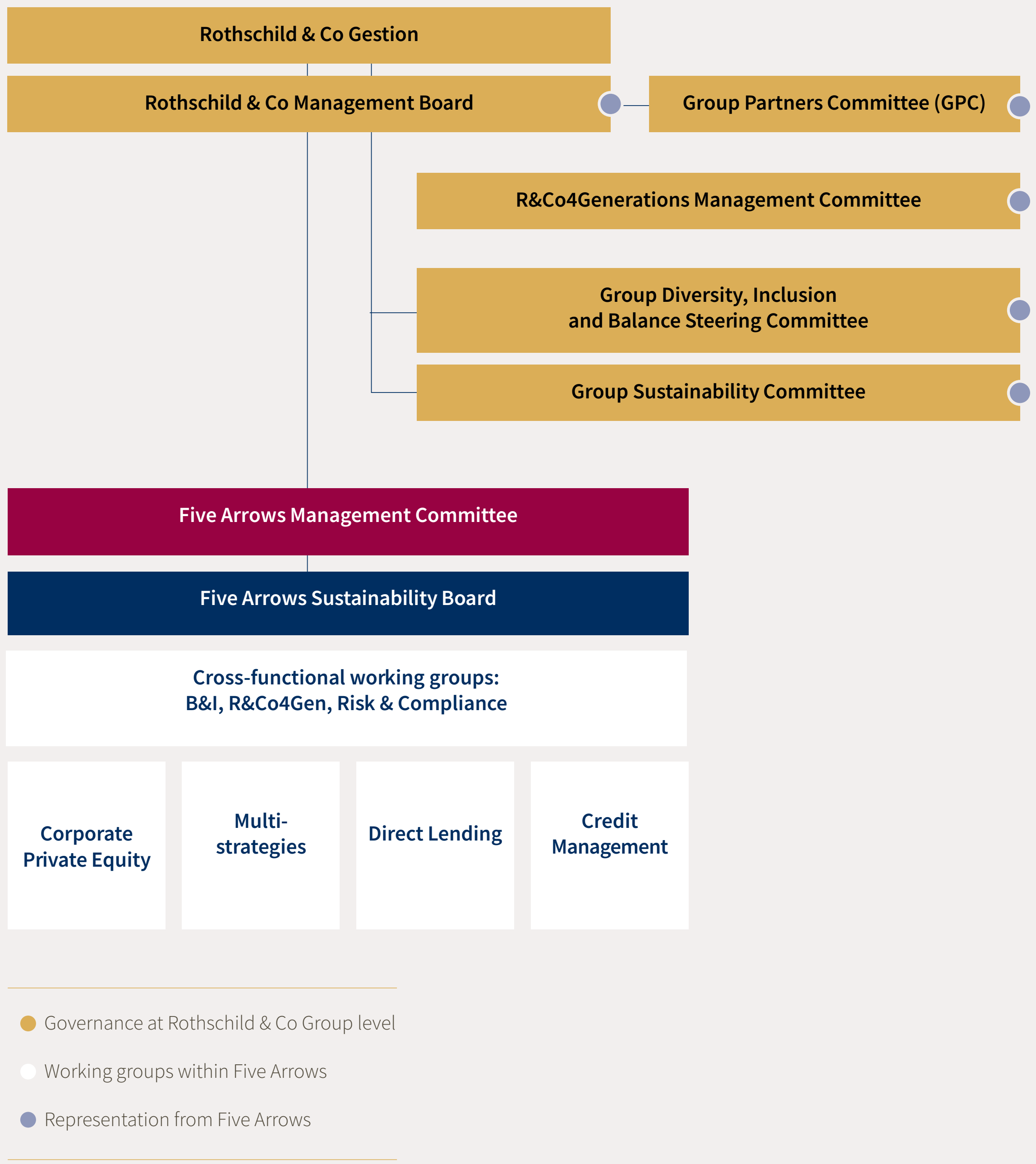
- Mireille Klitting, Chair of the Board and Managing Partner of Five Arrows Multi Strategies
- Michael Clancy, Global Head of Credit Management
- Emmanuel Roth, Global Head of Corporate Private Equity
- Edouard Veber, Co-Managing Partner of Direct Lending

A comprehensive outline of the Group's sustainability governance framework is illustrated in Figure 2.

In 2021, we established a dedicated sustainability team which plays a crucial role in promoting responsible investment practices. They develop and implement frameworks, tools and training sessions to facilitate the integration of sustainability into the everyday working practices across our teams.

Furthermore, the sustainability team proactively engages with a diverse range of stakeholders at Five Arrows, including investors, regulatory bodies, peers and industry associations. For investors, we conduct comprehensive surveys to understand their needs and expectations, ensuring our sustainability strategies align with their priorities. With regulatory bodies, we actively participate in consultations, providing suggestions and feedback on the implementation of regulations into market practices. With our peers, we regularly meet and collaborate, fostering a culture of shared learning and innovation by exchanging best practices and collectively driving meaningful, long-term change. Additionally, for industry associations, we not only adhere to but also actively promote relevant charters, demonstrating our commitment to industry standards. Through these multifaceted engagements, we ensure that Five Arrows not only progresses but continuously enhances its influence, driving positive change within the industry.

FIGURE 2. FIVE ARROWS SUSTAINABILITY GOVERNANCE



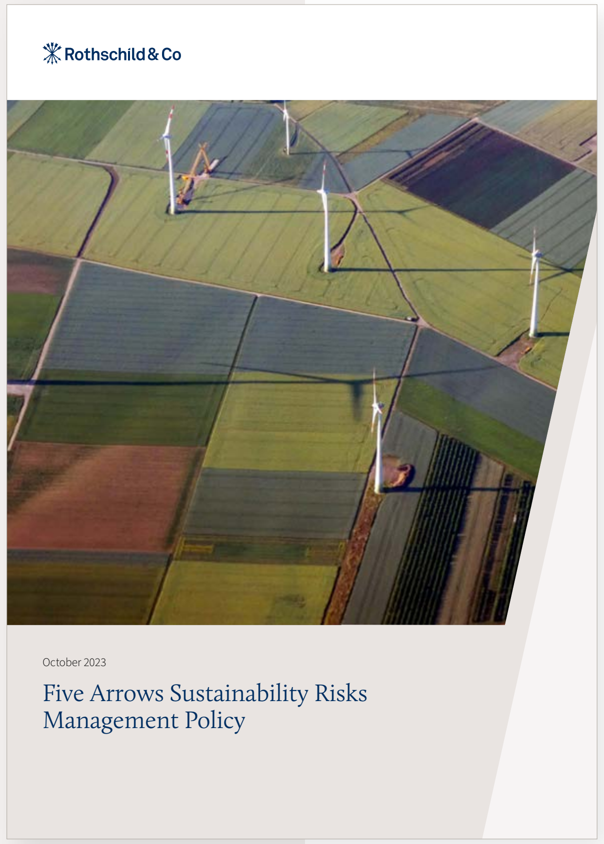
PART 1

A comprehensive approach to responsible investment

A common framework for managing sustainability-related investment risks

Despite the diverse geographical locations and product types within Five Arrows, we strive to manage our sustainability risks through a consistent framework. This provides a unified understanding of the complex regulatory environment surrounding sustainability across the different strategies and maintains consistency throughout our funds.

The Five Arrows Sustainability Risks Management Policy outlines the **assessment** of these risks. This includes the timing and tools involved, the **consideration** of these risks within the investment decision-making process, **monitoring** procedures, which vary in frequency and method depending on the investment strategy, and, the **reporting** process for identified sustainability risks.



For more information about our sustainability risk approach, see our **2023 Sustainability Risks Management Policy**

The sectors in which Five Arrows principally invests are data and software, healthcare and education, and business and financial services. This is especially the case for Corporate Private Equity, Multi-Strategies and Direct Lending.

Five Arrows has implemented a comprehensive risk management framework that encompasses an exclusion policy, the identification of material sustainability risks and the monitoring of controversies both in the pre-investment phase and during the holding period.

Sustainability-related investment risks can be identified across investment products, sectors and regions. In general, our approach is based on a variety of factors, including:

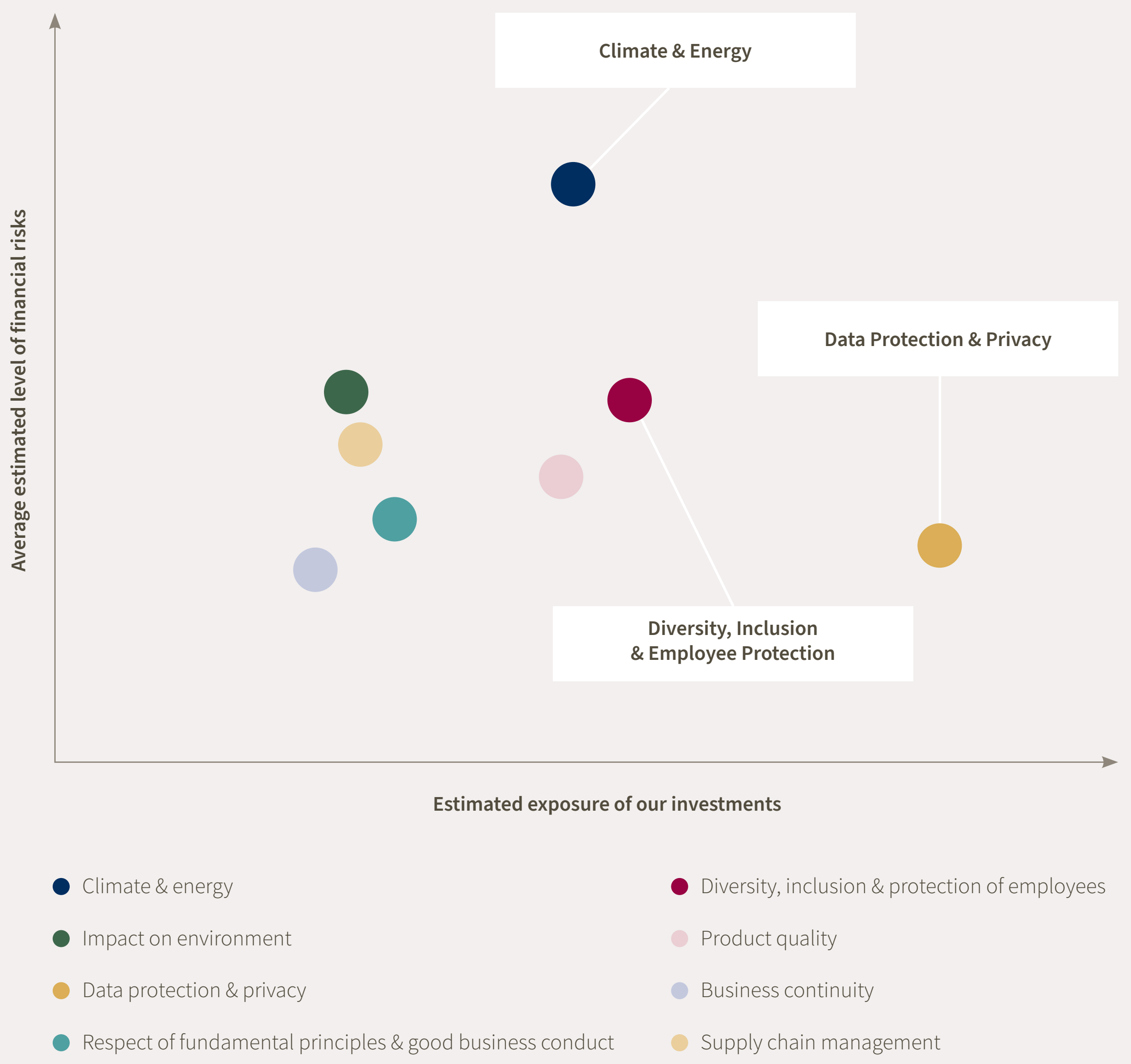
- the time horizon for our investments, which varies depending on the investment strategy;
- the type of instruments invested in;
- the sectors / regions in which we invest;
- the size of the invested assets; and
- the capacity to mitigate the identified risks.

In addition to managing risk, we actively support and promote value creation through the improvement of sustainability practices, as illustrated in the case studies later in this report.

Key ESG focus areas at Five Arrows

Three key issues were identified as significant, based on our assessment of the materiality of each of the Sustainability Accounting Standards Board (SASB) dimensions to the different business sectors and the Five Arrows exposure to the global economy.

FIGURE 3. MATERIALITY ASSESSMENT OF IDENTIFIED SUSTAINABILITY RISKS FOR THE FIVE ARROWS INVESTMENTS



In 2023, as part of our risk management approach, we analysed our portfolios as at the end of 2022 through the lens of the Sustainability Accounting Standards Board (SASB) framework, a common reference tool used to identify the material ESG issues within a given sector.

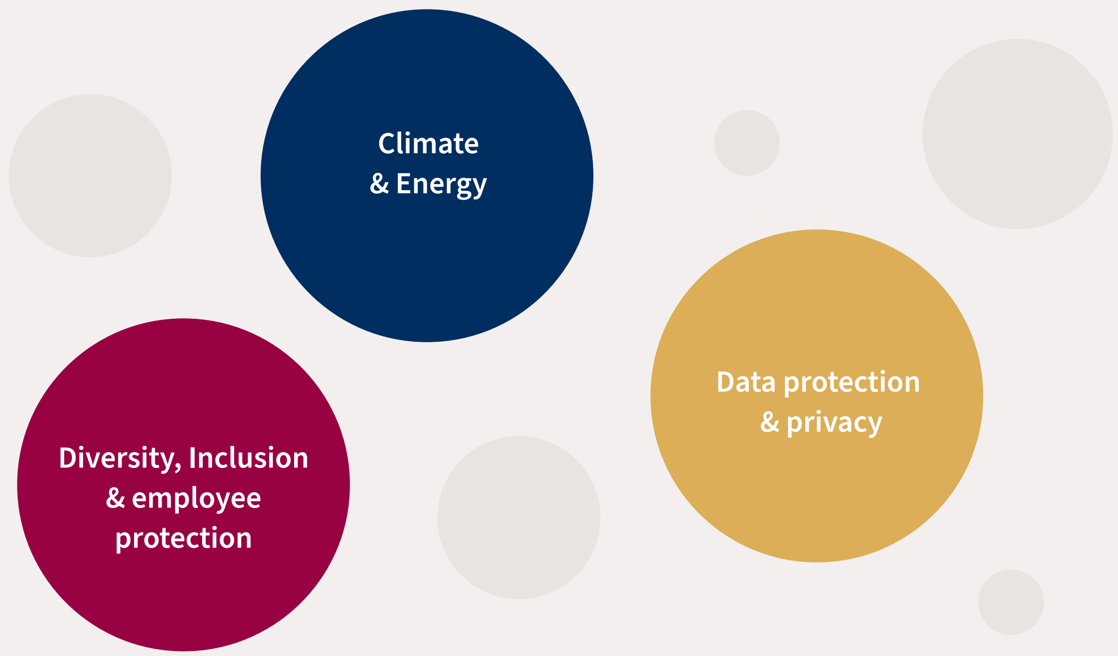
We used a proprietary risk mapping tool, developed with the help of external experts, to identify the key sustainability risks to our investments, taking into account the location, size and sector of these assets. The scores were based on those developed by the SASB industry working groups.

We concentrated our efforts on the following three key areas, identified as the most material sustainability risks within the Five Arrows portfolio, whilst pursuing tailored opportunities for ESG value creation where and when appropriate:

- Climate and energy, given the systematic and critical impacts climate change can have on the global economy;
- Diversity, inclusion and employee protection, which is deemed material given that employees are key contributors to value creation in the sectors we invest in, and that greater workforce diversity drives innovation; and
- Data protection and security, which is a central topic for the key economic sectors we invest in.

These issues are addressed as both potential risks to mitigate and as opportunities to leverage, as described further in this policy. Over and above these dimensions, good governance and business ethics remain at the heart of the discussions with our stakeholders.

FIGURE 4. KEY SUSTAINABILITY RISKS IDENTIFIED THROUGH THE MATERIALITY ASSESSMENT



Managing our portfolio through data-driven insights and tools

At Five Arrows, we believe that access to data is crucial to managing our portfolio sustainably. The scope of our data requests is customised for each investment strategy, encompassing a defined set of indicators that we actively monitor. When relevant, we customise our annual sustainability reporting for each company to closely monitor relevant ESG targets or material issues.

During the holding period, we consider access to data essential to mitigating risks and capitalising on opportunities within our portfolio.

We ask our investee companies in our Corporate Private Equity and Direct Lending strategies, and the fund managers in our Multi-Strategies funds, to complete our annual sustainability reporting. For our Credit Management business, investing in liquid senior secured loans and CLOs, access to data is limited since direct engagement with portfolio companies is not part of the investment process. However, an increasing number of issuers provide annual sustainability reporting. We supplement this with our own and third-party due diligence and are involved with an industry-wide effort led by the European Leveraged Finance Association (ELFA) to improve ESG information and disclosure.

We utilise a specialised reporting and monitoring tool to collect specific data for monitoring ESG performance in our investments. The scope of our data requests is customised for each investment strategy, encompassing a defined set of indicators that we monitor, including EU Sustainable Finance Disclosure Regulation (SFDR) requirements and best practices tailored to small and medium-sized companies. When relevant, we customise our annual sustainability reporting for each company to closely monitor ESG targets or material issues.

ESG data management is a challenge in our industry. Data may be difficult to access, incomplete or unreliable, while benchmarking is complicated by the lack of reporting standardisation. **To overcome the hurdle of data reliability, our internal ESG experts rigorously vet and compare data, flagging inconsistencies and reducing the degree of data error. By prioritising data accuracy, we aim to leverage ESG insights effectively in our decision-making processes.**

Moreover, Five Arrows employs third-party software solutions and databases to complement our internal portfolio monitoring. For example, we utilise a database of industry-level carbon emissions factors to estimate the potential impact of new investment opportunities on the carbon performance of our portfolios. Additionally, we utilise a software solution that combines AI and machine learning with human intelligence to analyse public information and identify any material ESG risks prior to and during our investment holding period.

Leveraging the data collected, Five Arrows takes an active role in relationships with investee companies and fund managers.

Individualised follow-up reports, or "factsheets", are produced to cover the key indicators included in each sustainability questionnaire. These targets are shared with each company or fund manager that completed the questionnaire to help them benchmark themselves with other relevant investments within our portfolio as well as other industry-wide benchmarks.

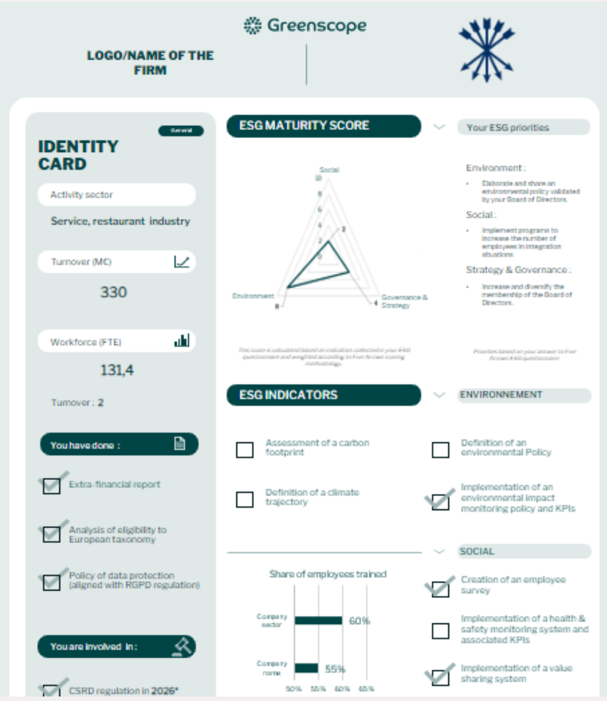


FIGURE 5. EXAMPLE OF A FACTSHEET TEMPLATE

IN 2023, 101
portfolio companies and GPs completed our sustainability questionnaire representing

87%
of the total net asset value covered by the reporting process[1]

250+
ESG metrics tracked every year within our portfolio

OVER 10,000
consistency checks were performed in 2023 to reinforce the reliability of the ESG data provided by our portfolio

IN 2023, 70+
factsheets were generated

[1] Excludes Credit Management, Five Arrows Minority Investments (FAMI) and FAPEP's co-investments since their ability to access the ESG information we require is currently limited.

The Five Arrows climate strategy

In 2023, the Five Arrows carbon intensity in tons of CO2 equivalent per million euros invested was 36.2 tCO2e.

Five Arrows has committed to reducing emissions in accordance with climate science, aligning with the Science Based Targets initiative (SBTi). We intend to submit our operational and portfolio-level targets in 2024.

FIGURE 6. FIVE ARROWS OPERATIONAL AND FINANCED EMISSIONS

FIVE ARROWS OPERATIONAL CARBON EMISSIONS

Absolute
Scope 1 and 2 emissions
133 **tCO2e**

Equivalent to 2 long-haul flights with 100 passengers

Intensity
Scope 1 and 2 emissions
0.51 **tCO2e/employee**

FIVE ARROWS FINANCED EMISSIONS[1]

Absolute
Scope 3 –
Financed emissions[2]
648,595 **tCO2e**

Intensity
Scope 3 –
Financed emissions[2]
36.2 **tCO2e/€1m invested**

Close to the S&P 500 Carbon Efficient Index[3]

[1] Coverage rate: 94% of the total Five Arrows portfolio based on Net Asset Value.

[2] Estimate based on Carbon Disclosure Project (CDP) proxies

[3] tCO2e/$1m invested: 32.56 tCO2e. The S&P 500 Carbon Efficient Index (CEI) is designed to measure the performance of companies in the S&P 500 while overweighting or underweighting those companies with lower or higher carbon emissions per unit of revenue. The index aims to integrate low carbon considerations into broad market indices, reweighing companies within industries based on their carbon-to-revenue footprints, to lower overall exposure to carbon emissions while maintaining industry allocations.

Measuring and managing carbon emissions in our investment portfolio

As part of our sustainability reporting, we ask all the portfolio companies in our Corporate Private Equity and Direct Lending strategies, and the fund managers in our Multi-Strategies funds to report their carbon emissions – scopes 1, 2 and 3 (along with financed emissions for fund managers).

Since only a few companies have already conducted a carbon footprint assessment, we estimate the carbon emissions of our portfolio using proxies. In parallel, to progressively replace the estimated emissions with more reliable bottom-up data, we work with our investee companies to help them conduct their own carbon footprint assessment according to the Global GHG Accounting and Reporting Standard.

These proxies are based on sector-specific emissions factors provided by the CDP (formerly the Carbon Disclosure Project), which holds one of the world's largest corporate environmental databases. As of 2021, CDP's database included approximately 9,000 companies, with their combined Scope 1 emissions accounting for over 25% of global GHG emissions. This rich data source allows us to generate estimated emissions for sectors where individual companies have not reported.

After we estimate the carbon footprint for each investee company, we calculate the total carbon footprint of the fund using the Partnership for Carbon Accounting Financials (PCAF) methodology, a globally recognised approach for assessing financed emissions. This calculation incorporates the investor's share of ownership in each company. As a further commitment to transparency, we share these estimates at the fund level with our investors, upon request.

In 2023, Five Arrows committed to reducing emissions in line with climate science through the Science Based Targets initiative (SBTi) and will submit targets at the operational and portfolio level. Details of our climate strategy, including goals and methods for cutting operational and portfolio emissions, will be shared once SBTi validates the targets.

Breaking boundaries with enhanced due diligence tools

We have developed new due diligence tools incorporating ESG considerations into the pre-investment process, enabling us to complete more thorough analysis, including assessing the impact of sustainability-related investment risks on the target company's EBITDA and cashflow.

While the means used during the holding period may differ greatly among the Five Arrows funds, they all share a pre-investment phase where ESG integration is required. To address this, we have created in-house due diligence tools to:

- Consider all material topics by assessing the sustainability maturity of a target and identifying red flags in the potential transaction.
- Simplify the due diligence process for deal teams by consolidating all the ESG metrics within a single tool. These metrics adhere to common standards and references (as shown on the next page) where available.
- Evaluate the impact of transactions on the ESG performance of our funds.
- Standardise the ESG assessment process across different regions and investment strategies by developing common modules, reducing subjectivity of the questions and facilitating comparison of due diligence results.
- Ensure reliability, traceability and transparency towards meeting our funds' commitments at the pre-investment stage.

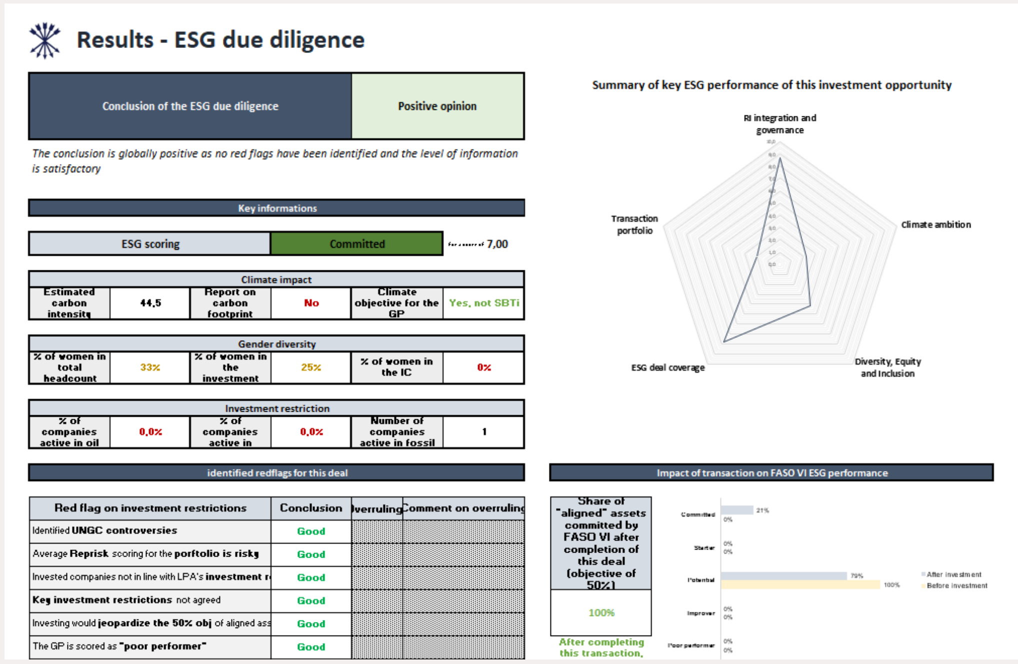
In 2023, we began implementing these new due diligence tools in our FASI and FASO strategies. For Direct Lending, we are currently enhancing the existing tool with additional modules. Simultaneously, we are deploying these tools within our CPE and Credit Management strategies.

FIGURE 7. THE FIVE ARROWS DUE DILIGENCE TOOL

INPUTS

RepRisk · Sustainable Development Goals · SASB · CDP · United Nations Global Compact

TOOL



OUTPUTS

- Assesses the ESG performance of the investment opportunity
- Identifies potential red flags
- Provides a score to allow benchmarking as well as listing good practices and areas for improvement
- Evaluates the impact the transaction would have on the existing portfolio

These due diligence tools are designed with a modular architecture, allowing for quick set-up or adjustment as required. Each module has a different purpose, such as ensuring compliance with the United Nations Global Compact (UNGC) standards, estimating carbon footprints or evaluating the impact of sustainability risks on the target company's EBITDA and cashflow.

MATURITY ASSESSMENT

The Maturity Assessment Module addresses the challenge of comparing the sustainability practices of investment opportunities, monitoring the progress of investee companies, and ensuring that key material topics for Five Arrows are considered. It scores opportunities using an in-house grid with easy-to-use features, emphasising good sustainability practices such as climate change and diversity, and serving as a baseline for engagement post-deal completion.

UNGC COMPLIANCE ASSESSMENT

This module addresses the challenge of analysing broad questions regarding human rights and the precautionary approach, and determining which principles are material for each company. It facilitates a pertinent and comprehensive evaluation of UNGC principles by focusing on pragmatic questions related to the characteristics of the investment opportunity, such as the complexity of the supply chain or the existence of supplier codes. This approach automatically identifies principles that require particular scrutiny, aiming to streamline the assessment process.

CARBON FOOTPRINT ESTIMATION

This module addresses the challenge of assessing the carbon footprint of a target despite limited climate data in private markets. It automatically calculates the target's carbon footprint using readily available information, such as revenue and sector, and employs carbon emissions factors from reputable sources to estimate the potential impact on Five Arrows' performance.

FINANCIAL IMPACT OF SUSTAINABILITY RISKS

The Financial Impact of Sustainability Risks Module addresses the challenge of integrating sustainability risks into financial assessments, offering tailored evaluations for investment decisions. It features an in-house database detailing the potential impact of SASB key material issues on various financial aspects, resulting in a qualitative assessment of the risk's effect on EBITDA and free cashflow.

SUSTAINABILITY RISK ASSESSMENT

The Sustainability Risk Assessment Module ensures a comprehensive evaluation of sustainability risks, tailored to the target business sector, by using data from the SASB materiality matrix. This matrix identifies key sustainability issues for each sector, based on input from industry experts, and prompts the investment team to address relevant questions on risk prevalence and mitigation.

CONTROVERSY MONITORING

The Controversy Monitoring Module is based on the RepRisk ESG platform to assess and monitor ESG risks associated with potential investment. The platform aggregates vast amounts of data from publicly available sources worldwide, such as news articles, regulatory filings and NGO reports, to provide comprehensive risk assessments. It utilises machine learning algorithms and human intelligence to analyse this data and identify potential ESG risks that could impact a company's reputation, financial performance or sustainability practices.

SDG ALIGNMENT

This module helps investment analysts determine how a company's business model aligns with the UN Sustainable Development Goals (SDGs) and ensures its contributions are substantial. It guides analysts in applying the SDGs to the Five Arrows investment activities, with the aim of collecting evidence of a company's impact on these global goals. The findings are then subjected to an internal review process that prevents greenwashing and ensures the results are credible.

IMPACT ASSESSMENT

This module addresses how to define and standardise the assessment of the impact generated by a company's activities, ensuring alignment with global frameworks. It uses the Impact Management Project's grid to evaluate the company's positive and negative impacts, examining their depth, scope and the affected end users. This assessment ties into the SDG alignment module, providing a comprehensive view of the impact from both the investee company and Five Arrows as the investor.

PART 2

Our teams: Building a sustainable and inclusive workplace

Empowering and engaging our workforce

To encourage our teams to focus on responsible investing, we have integrated sustainability criteria into our annual performance reviews. Since 2023, 10% of the annual bonus is based on meeting these criteria.

Equipping our teams with the right skills and knowledge

In 2023, Rothschild & Co delivered a number of structured training programmes providing a mix of networking and learning opportunities, from technical training to understanding more about the Group, including its approach to sustainability and ESG.

ESG training is crucial for all our employees. It enables them to understand key sustainability factors and make informed decisions, leading to better risk management and regulatory compliance. Additionally, it fosters a culture of responsible business practices. Training sessions are regularly held for staff, covering key topics in line with the Five Arrows goals and with the aim of ensuring continuous progress.

Within Five Arrows, the sustainability team offers customised training tailored to each target group's needs. For example, a training session was held for the secondaries investment team to introduce a new proprietary ESG due diligence tool and demonstrate how it will support their investment decisions by ensuring reliability, traceability and transparency in tracking progress towards pre-investment commitments for our latest secondaries fund (FASO VI).

In addition, Five Arrows provided shared, cross-functional training across the whole platform and all teams to ensure a common and consistent framework of knowledge.

In 2023, we provided two climate training modules through the internal Sustainability Academy digital platform which were focused on the key aspects of the IPCC reports and the characteristics of the Low-Carbon Transition.

During 2023, we also held diversity training sessions in France which addressed biases and discrimination, using case studies to spark discussions and examine the subtle cues that influence inclusion and performance. UK and US-based employees have undergone similar comprehensive training tailored to their roles and seniority levels. Early career professionals, including Business Support, Analysts, Associates and Senior Associates, participated in "Ignite Inclusion", a session focusing on diversity, equity and inclusion. Mid-career professionals, such as new Managers, Assistant Directors, Vice Presidents and Principals, participated in "Invest in Inclusion", to explore the value of diversity in team performance. Managing Directors engaged in the "Inclusive Leadership Academy" which included workshops, coaching and peer discussions aimed at fostering inclusive team cultures. Additionally, colleagues involved in recruiting received training on "Interview Skills", covering language use, questioning techniques, bias awareness and equitable decision-making in hiring processes.

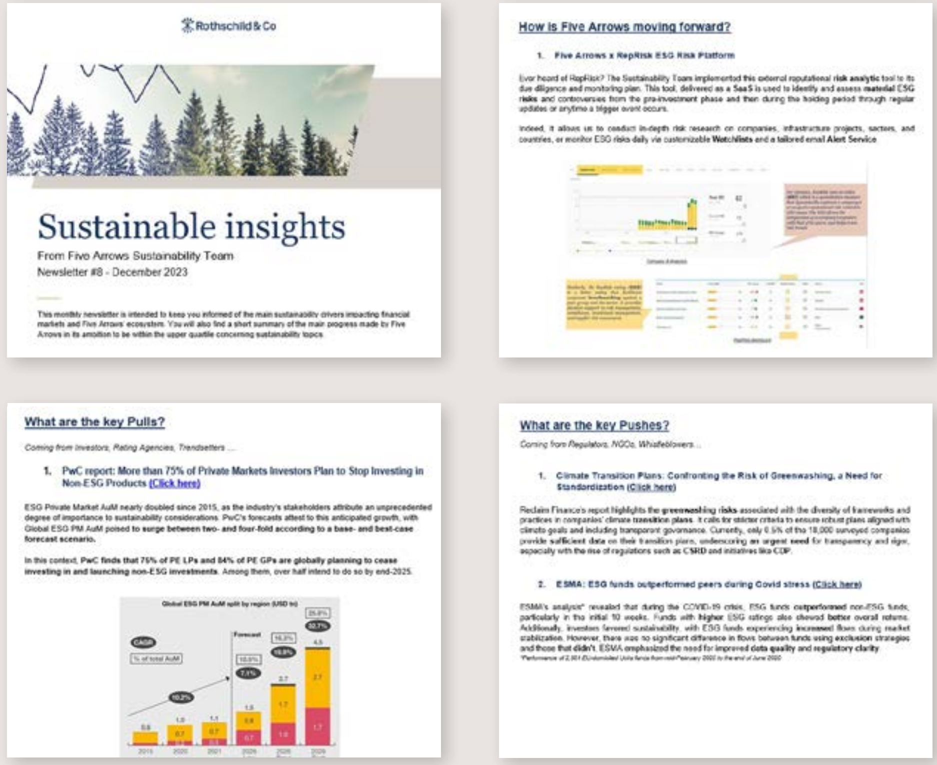
In 2023, Five Arrows launched a company-wide sustainability newsletter. Throughout the year, eight editions of the newsletter were distributed, each aimed at keeping our team up to date with the latest market trends and recent regulatory changes, while providing a comprehensive view of the initiatives undertaken within the management company and other investment strategies.

KEY FIGURES

+95%

employees trained on Diversity and Climate in 2023

FIGURE 8. OVERVIEW OF FIVE ARROWS SUSTAINABILITY NEWSLETTERS



Linking remuneration to sustainability criteria

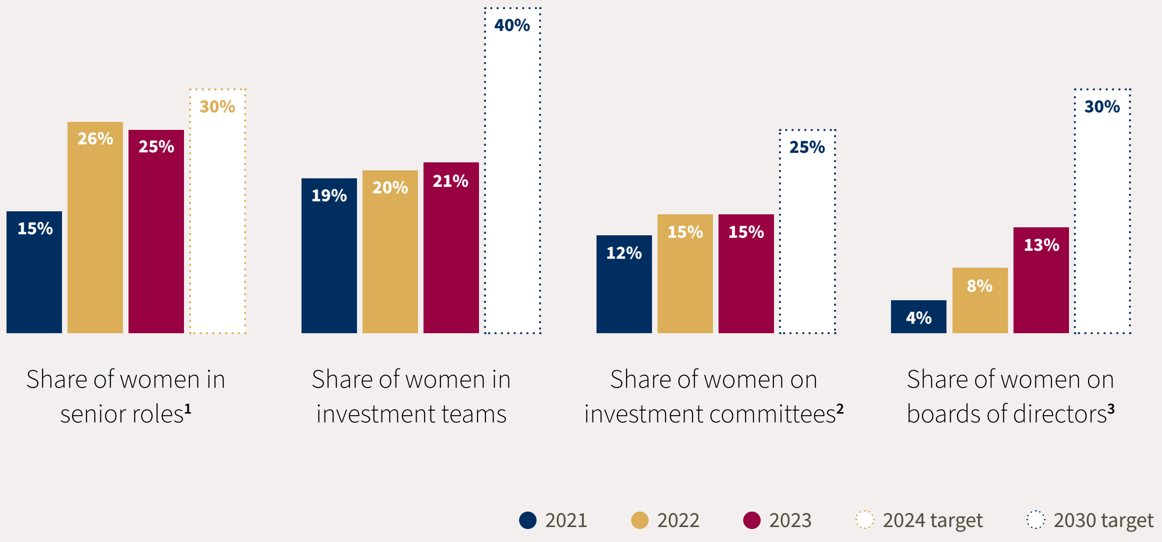
To further incentivise our teams to prioritise responsible investing, since 2023, sustainability criteria have been incorporated into our annual performance reviews, with 10% of the annual bonus tied to these criteria.

The criteria established in 2023 focused mainly on completing sustainability training throughout the year and adhering to the Five Arrows Sustainability Risks Policy.

Fostering Balance and Inclusion at Five Arrows

The share of women in senior roles has improved by 10 percentage points since 2021, and the results from our balance and inclusion survey indicate that employee satisfaction has increased by 2 percentage points since 2022.

FIGURE 9. DIVERSITY IN FIVE ARROWS



As a signatory of the Women in Finance Charter, Rothschild & Co has a stated commitment to have women represent 30% of the Group-wide Assistant Director and above population globally by 2024.

In recent years we have laid significant foundations and continue to make progress year on year. We recognise we are not where we aspire to be yet but remain ambitious in our efforts to reach our target by the end of 2024. Progress against these targets is reported quarterly to the Group Executive Committee, the divisional management committees and R&CoG, and bi-annually to the Sustainability Committee of the Board.

Five Arrows is a signatory of the France Invest Charter for Diversity, which includes the following commitments:

- 40% female representation in the investment teams by 2030
- 25% of our Investment Committee members to be women by 2030
- 30% of the Executive Committee members of majority-owned companies with >500 employees to be women by 2030

[1] Principal (assistant director) and above.
[2] This percentage is calculated based on the average female-to-male ratio of IC members within each of our four strategies.
[3] Share of female members on boards of directors in CPE and Direct Lending companies with more than 500 employees that completed our sustainability questionnaire.

Building an inclusive culture

Rothschild & Co is dedicated to creating a workplace that embraces diversity and fosters an inclusive culture where different perspectives are valued and respected. This commitment is supported by a range of policies and benefits, as outlined in local employee handbooks, which aim to provide equal opportunities for all employees.

The Group's Inclusion Curriculum, founded on the recognition that fostering a culture of inclusion must be the concern of everyone, includes programmes for individual contributors, mid-career and people managers, and more senior leaders. This programme includes, in particular, an introduction to diversity, equity and inclusion and a workshop to explore biases and discrimination. Since the programme's launch in 2021, 96% of Five Arrows employees have attended one or more workshops.

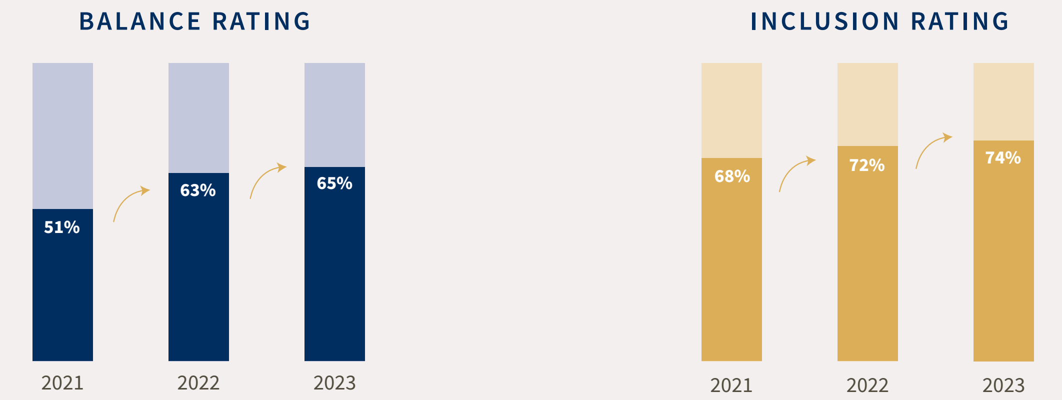
The Shine programme is a key element of Rothschild & Co's Balance and Inclusion strategy, underpinning the commitment to the retention and career progression of women to more senior leadership positions. Shine is designed to empower participants and equip them to maximise potential and drive personal impact. Through a 2-day intensive workshop, participants are challenged and coached to build a bigger vision and plan. Direct engagement with the managers of participants alongside the programme contributes to broader awareness of inclusion themes and commitment to these priorities. In 2023, several Five Arrows female employees attended this programme.

Five Arrows also places a strong emphasis on employee wellbeing, providing a comprehensive framework to support health and work-life balance. For example, in France and the UK our paternity leave policy goes beyond the respective banking industry collective agreements, paying the employee's full fixed salary provided they have been with the company for 9 months on the child's birth date.

In 2023, Five Arrows was proud to be a Sponsor of Level 20, the not-for-profit organisation established to inspire women to join and succeed in the private equity industry. Membership gives Five Arrows employees access to events, networking, role models and opportunities to apply for mentoring programmes.

Since 2021, a Balance & Inclusion survey has been sent to all Rothschild & Co employees. This survey, answered by 87% of the Five Arrows employees, shows encouraging results in both balance and inclusion-related topics.

FIGURE 10. EMPLOYEE SATISFACTION TRENDS MEASURED THROUGH THE BALANCE AND INCLUSION SURVEY



Driving sustainability within our investments

4

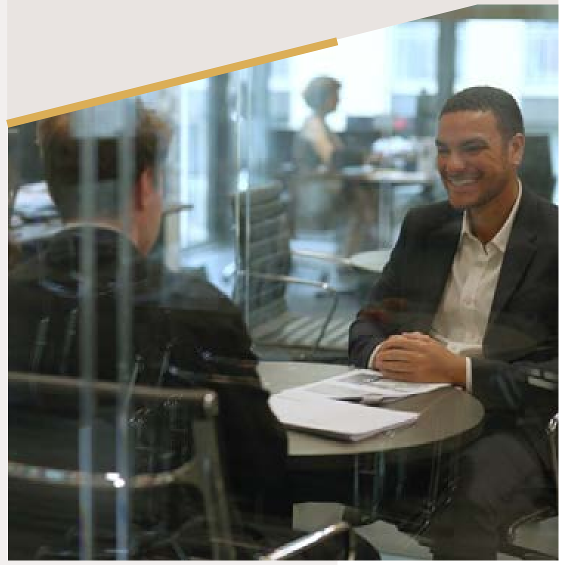
investment strategies:
- Corporate Private Equity
- Multi-Strategies
- Direct Lending
- Credit Management

6

funds classified Article 8 or 9 under SFDR representing

61%

of active, eligible funds in 2023 (+4% compared to last year)[1]



As Five Arrows is active across Corporate Private Equity, Multi-Strategies, Direct Lending and Credit Management strategies, our ability to impact outcomes varies according to the nature of the relationship, size of shareholding and access to non-financial information.

Given the diversity of our businesses, our responsible investment strategies are tailored by type of product.

SFDR requirements created an important opportunity for us to systematise our product sustainability strategy, whilst reinforcing our transparency and disclosure efforts.

In this regard, we are progressively deploying Article 8 and Article 9 products (as defined under the SFDR). If we take only funds raised after SFDR took effect in March 2021, 61% of our AuM is in funds classified as Article 8 or 9.

All our financial products classified as Art. 8 SFDR and/or Art. 9 SFDR comply with the reporting requirements set by the supervisory authorities.

The key issues addressed by our SFDR Article 8 strategy are climate change management, gender diversity and sustainable practices.

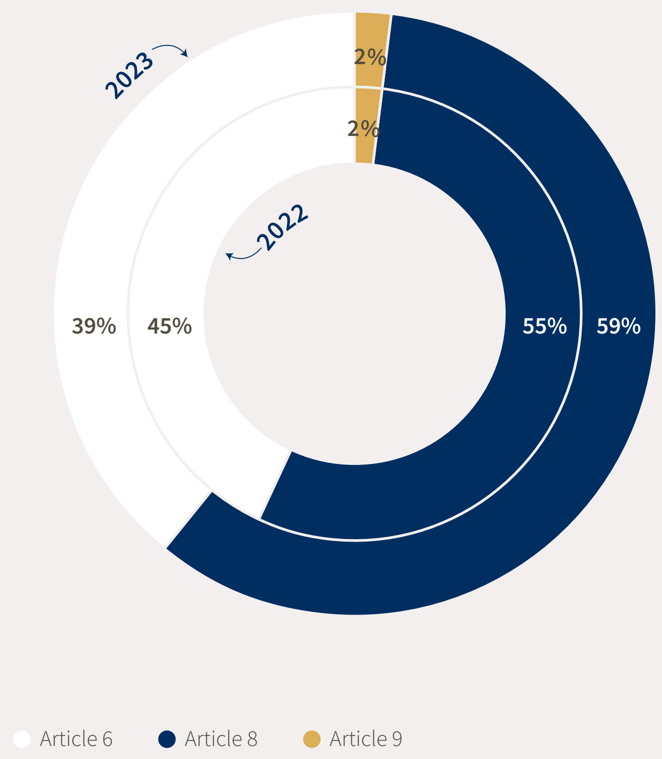
More information regarding Five Arrows Sustainable Investments, our Article 9 fund, is provided on pages 58-59.

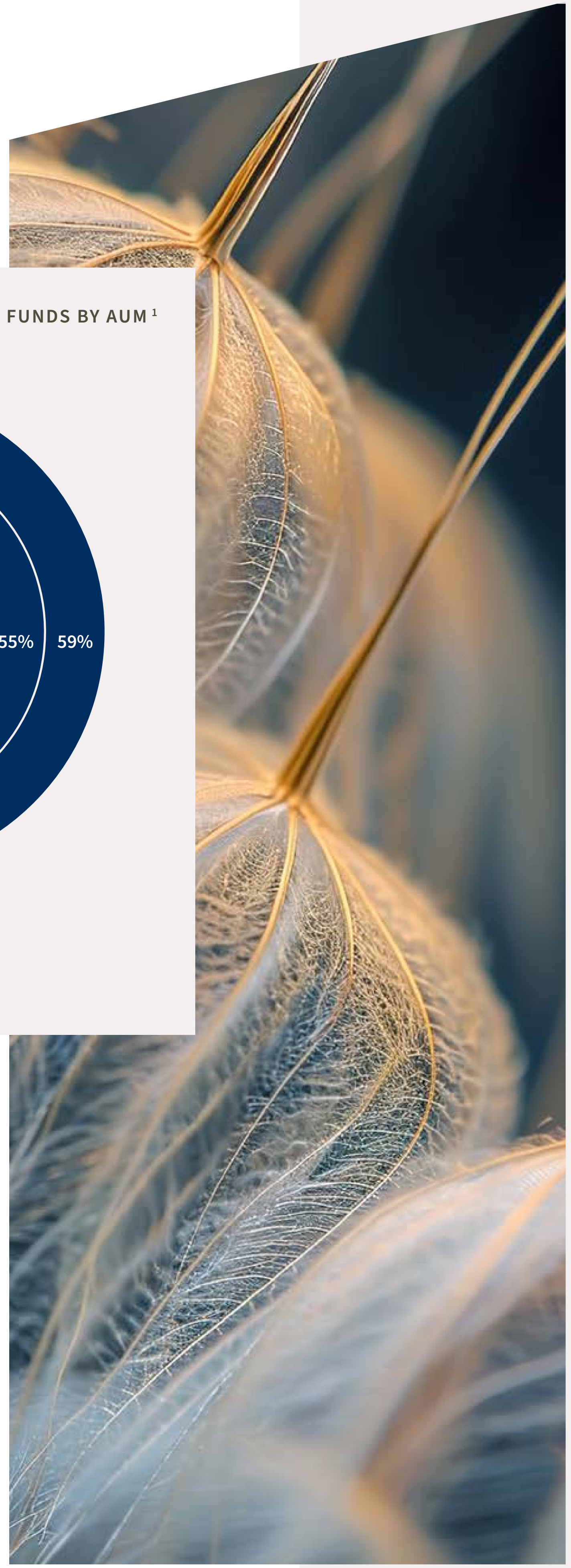
Key ESG topics promoted at fund level (Art. 8 products)

- **Climate change management**
- **Gender diversity**
- **Sustainable practices**

[1] Excluding all the funds raised before March 2021, when SFDR took effect, and non-eligible funds

FIGURE 11. DISTRIBUTION OF ART 6, 8 AND 9 FUNDS BY AUM [1]





PART 3

Advancing sustainability within our investments

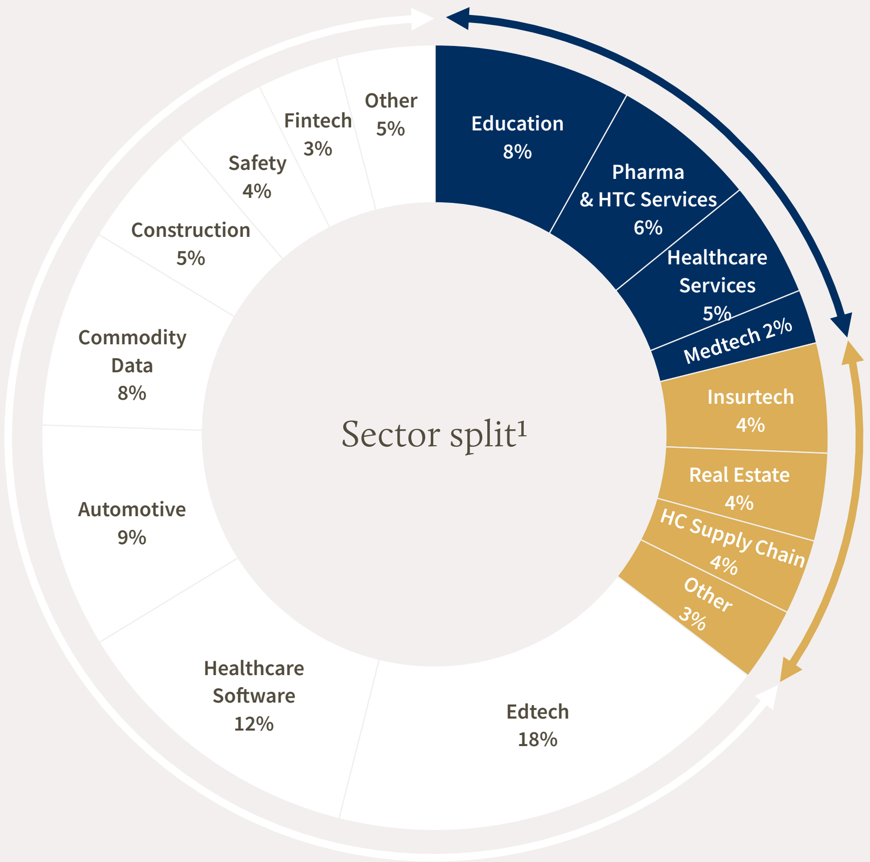
Corporate Private Equity: Encouraging sustainability-driven value creation

FIGURE 12. SECTOR SPLIT IN OUR CORPORATE PRIVATE EQUITY PORTFOLIO[1]

65% Data & Software

21% Healthcare & Education

14% Tech-enabled Business Services



Our Corporate Private Equity (CPE) business focuses on investing in Western Europe and North America through a series of funds focused on the lower mid-market, mid-market and upper mid-market:

- **Lower mid-market**: Five Arrows Capital Partners (FACP), Five Arrows Growth Capital (FAGC), Five Arrows Growth Partners (FAGP II);
- **Mid-market**: Five Arrows Principal Investments (FAPI); and
- **Upper mid-market**: Five Arrows Long Term (FALT).

These funds invest primarily in the data & software, healthcare & education, and technology-enabled business services sectors.

Five Arrows classifies its most recently-raised vehicles (FAPI IV, FAGC, FALT and FAGP II) as Article 8 funds according to the SFDR. This means these funds promote environmental and social characteristics and ensure that their portfolio companies follow good governance practices.

The portfolio companies are supported to drive positive action across ESG topics. This is facilitated through resources such as toolkits and guidance documents, an advisor network and webinars as well as bespoke support which includes a dedicated sustainability expert. Companies are encouraged to have a sustainability action plan, improve their ESG metrics, and establish sustainability governance policies and processes.

A Sustainability Committee across CPE has been established to oversee sustainability performance within the portfolio companies.

[1] Aggregation of FAPI II, FAPI III, FAPI IV, FAGC I, FACP I and co-investment portfolios as of 31 December 2023 by invested capital.

How we promote environmental and social characteristics

KEY FIGURES IN THE CPE PORTFOLIO[1]

23 companies[2] completed the CPE 2023 sustainability questionnaire, representing 90% of the total portfolio (vs. 70% in 2022).

100%
of responding companies have a cyber security risks programme[3]

85%
of responding companies have a policy of good business conduct, such as a code of ethics or code of conduct[6]
vs.75% in 2022[4]

78%
of responding companies have a profit-sharing system

FOR 73%
of the responding companies, the board or members of top management have formal oversight and responsibilities on ESG

70%
of companies conduct a regular employee survey
vs. 45% in 2022[4]

41%
of companies have a sustainability strategy or roadmap[3]
vs. 11% in 2022[4]

32%
of responding companies have performed a carbon footprint assessment[3]
vs. 20% in 2022[4]

AND 23%
have set carbon emissions reduction targets[3]
vs. 5% in 2022[4]

Average ratio of women C-Suite executives[5] is

30% **vs. 29% in 2022[4]**

[1] This data has not been audited by an external third-party. We intend to progressively increase the coverage rate, reliability and consistency of the collected data.
[2] The full list of portfolio companies can be shared on request.
[3] This covers 22 companies.
[4] This covers 20 companies.
[5] Executive-level managers within a company.
[6] This covers 21 companies.

Our CPE Article 8 funds seek to promote:

- the implementation of sustainable practices by portfolio companies through the development of a sustainability action plan and ambition;
- the adoption of a climate strategy or action plan by portfolio companies to reduce carbon emissions related to their operations; and
- a gender-diverse work environment within portfolio companies.

Initiatives are tailored to each portfolio company, considering their specific material topics and level of sustainability maturity.

The ESG integration strategy begins with due diligence to identify and address sustainability risks before an investment is made. This involves conducting ESG-focused analyses and involving experts to assess material sustainability factors where required. Subsequently, the Investment Committee evaluates sustainability risks and opportunities, and upon approval, mandates portfolio companies to commit to sustainability goals in the shareholders' agreements.

During the holding period, the focus shifts to actively supporting portfolio companies in improving sustainability practices. We particularly encourage the exploration of value-creation opportunities through the development of products and services that address the sustainability challenges of the markets in which we invest, thereby positively impacting financial KPIs. This includes appointing a sustainability owner, supporting the creation of a sustainability strategy and action plan, and deploying annual ESG reporting questionnaires. Five Arrows generates individual factsheets to track and benchmark ESG performance and implements engagement actions based on the results.

The portfolio companies are supported through the Portfolio Company Sustainability Network, which facilitates knowledge-sharing and training across sustainability topics.

During the exit stage, the fund aims to demonstrate impact and ensure sustainability continuity, for example through appointing external experts for vendor sustainability due diligence.

FIGURE 13. SUSTAINABILITY INTEGRATION WITHIN THE INVESTMENT PROCESS FOR CPE FUNDS CLASSIFIED AS ARTICLE 8

PRE-INVESTMENT

Identify main risks / exposures and anticipate opportunities and interventions

- **Compliance with the fund's exclusion list**
- **ESG due diligence** completed before the Investment Committee, and extensive sustainability due diligence when relevant.
- Sustainability plans and opportunities discussed **with management team when possible**.
- Main **sustainability risks and opportunities** highlighted within the Investment Committee.
- Sustainability clauses included in the **shareholder agreement**.

HOLDING PERIOD

Proactively help and encourage portfolio companies to achieve better sustainability outcomes

- **Sustainability owner in the executive team appointed**.
- **Sustainability review** completed early in the holding period.
- **Sustainability plan agreed**.
- **Consistent reporting tool** deployed annually.
- **Annual ESG scoring of the portfolio company** generated.

EXIT

Demonstrate impact and leave the company self-sufficient

- Vendor **Sustainability due diligence** (when appropriate).
- Best effort to discuss **sustainability intentions and opportunities** with new investors.

CASE STUDY

Causeway's collaboration with key leaders to address carbon footprint challenges in the construction industry

FAPI III invested in Causeway Technologies, a UK-based software provider to the construction industry, in 2021.

Since the Five Arrows investment, Causeway, has embarked on a significant collaboration project with six major industry players: Aggregate Industries, Kier, Galliford Try, Vinci Construction, Balfour Beatty and Morgan Sindall. The project aims to address the critical challenge of providing accurate embodied carbon information for building projects, thereby supporting the construction sector's efforts towards sustainability and net-zero goals.

THE CHALLENGE

The construction and built environment sector contributes approximately 30% of GHG emissions. As awareness for environmental impact grows, there is increasing demand from customers and suppliers for accurate, transparent and verified Scope 3 (value chain) embodied carbon data. However, the accurate measurement of embodied carbon poses significant challenges:

- **Complex carbon footprints:** Companies need a clear understanding of their current carbon footprint, with detailed insights at both project and product levels.
- **Industry consistency:** A consistent approach across the industry is essential to reduce reliance on estimates and improve accuracy.
- **Labour-intensive processes:** Current solutions often involve manual processes, different systems and methodologies, increasing the risk of human error and unverified data.

THE SOLUTION: CAUSEWAYONE CARBON

To tackle these challenges, Causeway introduced CausewayOne Carbon, a cutting-edge digital platform designed to provide a comprehensive picture of the emissions associated with construction work. CausewayOne Carbon leverages supplier data and accurate information, including specifics from suppliers and invoices, to offer real-time, granular data that reflects the actual products used.

KEY FEATURES OF CAUSEWAYONE CARBON

- **Accurate reporting:** Moves the industry away from summary estimates towards precise reporting based on materials used, emissions factors, quantities and supplier data.
- **Consistent and transparent data:** Aknowledges data quality challenges and supports efforts to improve accuracy.
- **Real-time analysis:** Enhances product sustainability and reporting capabilities.
- **Support for suppliers:** Helps suppliers develop verified values to demonstrate decarbonisation efforts and differentiate from the competition.

BENEFITS

The CausewayOne Carbon tool supports decarbonisation by:

- Demonstrating carbon reduction.
- Incentivising innovation throughout the construction value chain.
- Identifying carbon hotspots to target further action.

NEXT STEPS

Following extensive testing and feedback, Causeway is working closely with clients to optimise the CausewayOne Carbontool. More information will be available in the coming year.

Causeway

KEY FIGURES IN 2023

517
employees

Commitment to achieving **Net Zero emissions** by **2050**

Certified **ISO 14001:2015**, the internationally recognised standard for environmental management systems (EMS)

38%
female C-Suite executives[1]

[1] Executive-level managers within a company.

CASE STUDY

A2MAC1's cost and sustainability solution tool helps clients model the carbon footprint and cost of vehicles and their component parts

In 2017, FAPI II invested in A2MAC1 and reinvested in the company through FAPI IV in 2023. A2MAC1 is a leading global provider of benchmarking and engineering insights, dedicated to decoding the future of the automotive and mobility industries. Since its inception, A2MAC1 has been at the forefront of innovation, helping clients navigate the complexities of the evolving market through comprehensive data analysis and strategic expertise.

Its mission is to empower businesses with the knowledge and tools they need to make informed decisions, drive innovation, and achieve sustainable growth.

In 2022, A2MAC1 started developing a Cost and Sustainability solution to help clients track the carbon footprint and cost of manufacturing and operating automotive components.

THE CHALLENGE

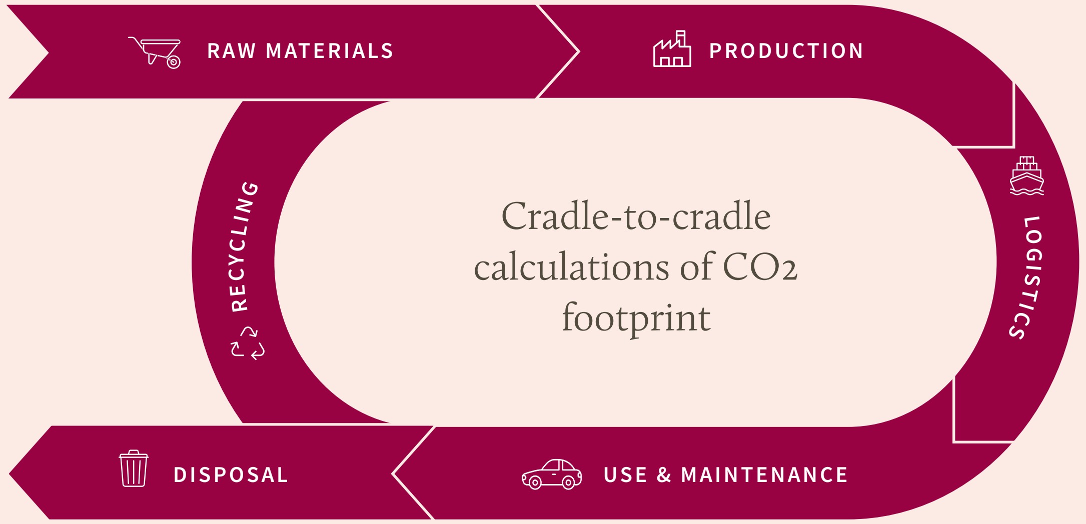
The transport and automotive industry is a key player in global carbon emissions. As awareness of environmental impact grows, and clients commit to decarbonising their products, there is an increasing demand for data on the carbon impact of automotive parts. In addition, increasing regulation requires more environmental disclosure for subsidies, on electric vehicles, for example.

THE SOLUTION: COST AND SUSTAINABILITY SOLUTION MODULE

To help our clients navigate this environmental challenge, A2MAC1 introduced the Cost and Sustainability solution (CSS), a cutting-edge module using best-practice scientific databases, designed to provide a comprehensive picture of the emissions associated with the manufacture and operation of thousands of automotive parts, under a cradle-to-cradle approach.

KEY FEATURES

- Over 60 clients are using the CSS tool to help forecast material usage and the resulting cost and emissions impact on vehicle design.
- The tool allows clients to model different product options, using varying mixes of materials, to see the impact on both cost and emissions, helping them make informed choices as part of their sustainability commitments.
- Over 4,000 materials CO2 values form part of the tool.
- Over 300 logistics CO2 values and 160 energy mix data points have been validated by external partners.
- Member of the leading industry body Catena X.



BENEFITS

The CSS tool supports decarbonisation by:

- Demonstrating emissions hotspots, guiding research and design efforts to reduce emissions through technological advancements.
- Supply chain management: the tool enables partnerships with suppliers to reduce the CO2 footprint across the production process to logistics.

NEXT STEPS

The CSS tool is being rolled out to more clients using bespoke solutions and individual engagement.

A2MAC1

KEY FIGURES IN 2023

681
employees

Set 2030 decarbonisation targets in accordance with **Science Based Targets initiative**

Certified **TISAX**, the standard for information security management systems (ISMS) within the automotive industry

50%
female Leadership Team

Multi-strategies (FAMS): Advocating for responsible investing

KEY FIGURES IN THE FAMS PORTFOLIO[1]

56 General Partners (GPs) completed the FAMS 2023 sustainability questionnaire, representing 85% of the total portfolio covered by the reporting process
(vs. 64% in 2022)[3]

96%
of responding GPs have a responsible investment policy[2]
vs. 100% in 2022[3]

95%
of responding GPs provide ESG-related training to their investment teams[4]
vs. 94% in 2022[3]

95%
of responding GPs conduct ESG analyses as part of their pre-deal process[2]
vs. 94% in 2022[3]

How we promote environmental and social characteristics

The Five Arrows Multi-Strategies (FAMS) platform includes five complementary strategies as follows:

- Five Arrows Secondary Opportunities (FASO), a specialist in European and US small and mid-cap GP-led secondary transactions;
- Five Arrows Private Equity Programme (FAPEP), a global multi-managers private equity platform;
- Five Arrows Global Technology (FAGT), a global multi-managers technology-focused private equity platform;
- Five Arrows Strategic Assets (FASA), a global portfolio of private equity single-assets; and
- Five Arrows Sustainable Investments (FASI), minorities focused European direct growth & buyout fund dedicated to sustainability.

As secondary, fund of funds and minority investors, we have a role of influence rather than direct control at the portfolio company level. Nevertheless, particularly within our GP-led secondary funds, we are steadfast in our belief that we can effect meaningful change by engaging with the fund managers with whom we invest. Our aim is to exert influence on sustainability outcomes through collaborative efforts with these fund managers, both regarding the fund as well as their underlying companies.

FASO VI, our first FAMS Article 8 product, focuses primarily on GP-led secondary transactions in the lower and mid-market, with an established position in Europe and a growing presence in the US.

The fund advocates for environmental and social considerations by supporting the responsible investment practices of its portfolio fund managers. This support is tailored to the maturity level of each manager's sustainability or responsible investment strategy.

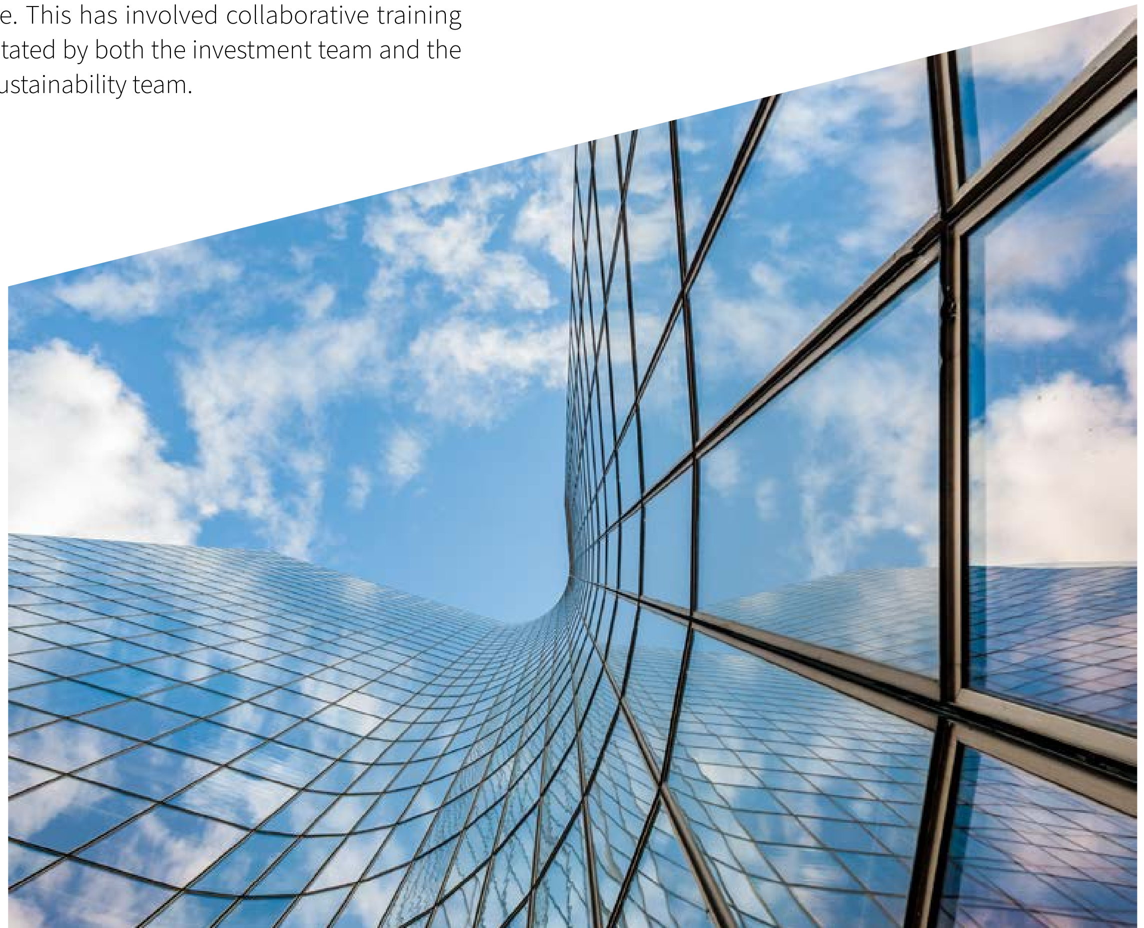
During the pre-investment phase, we assess the responsible investment performance and ESG risks of potential investments using a proprietary tool. The due diligence process identifies potential red flags within the target transaction, while the ESG maturity of the GP is evaluated using an in-house created tool. Assessment outcomes are incorporated into Investment Committee memoranda.

Throughout the holding period, an ESG engagement strategy is implemented. GPs are encouraged to report on their sustainability practices and the ESG performance of the invested portfolio through annual ESG questionnaires. Illustrated in Figure 6, individual factsheets, such as the example shown on the next page, track ESG scores over time and inform engagement actions tailored to each manager's profile. This has involved collaborative training sessions facilitated by both the investment team and the Five Arrows Sustainability team.

73%
of responding GPs disclose ESG information through regular fund-level reports to their LPs
vs. 74% in 2022[2]

73%
of responding GPs are signatories to the UN PRI
vs 79% in 2022[2]

68%
of responding GPs have an ESG committee
vs. 65% in 2022[2]



[1] This data has not been audited by an external third-party. We intend to progressively increase the coverage rate, reliability and consistency of the collected data.
[2] This covers 56 GPs.
[3] This covers 34 GPs.
[4] This covers 55 GPs.

FIGURE 14. SUSTAINABILITY INTEGRATION WITHIN THE INVESTMENT PROCESS FOR FASO VI, CLASSIFIED AS ARTICLE 8

PRE-INVESTMENT

Assess a GP's responsible investment performance and the ESG risks of a potential transaction

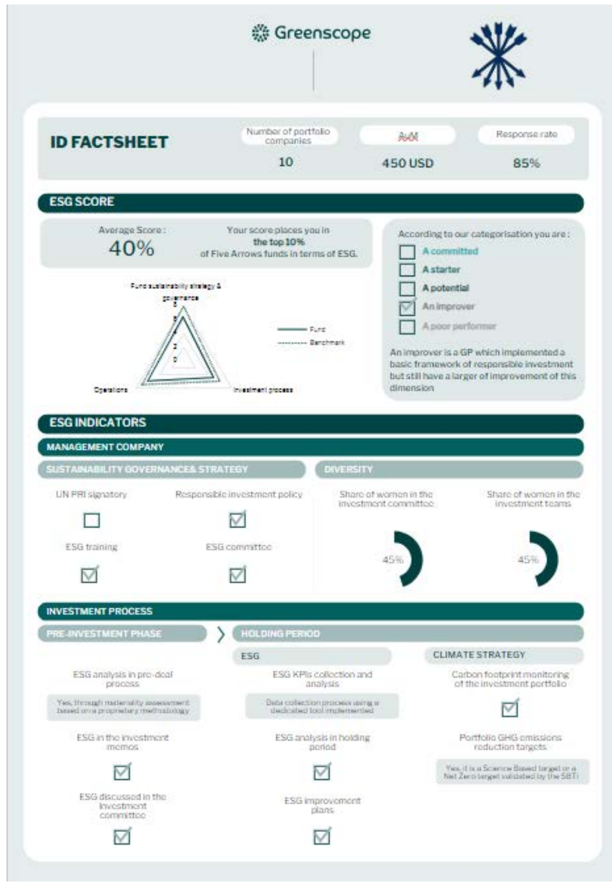
- The potential investment is analysed by **considering the exclusion policy**.
- **Screening for red flags in the portfolio**.
- **Each investment opportunity scored** according to an internal rating grid reflecting the Five Arrows ambition in terms of responsible investment.
- **Main sustainability risks and opportunities and the overall scoring of the investment** opportunity included in the **Investment Committee memos**.
- GPs asked **to sign a sustainability clause within the side letter.**

HOLDING PERIOD

Proactively support and encourage GPs to achieve better sustainability performance

- **Progress of the Responsible Investment performance** of the GP monitored through a **proprietary scoring methodology**.
- **Stewardship practices tailored to the profile of each GP**.
- **GPs asked to answer a specific annual ESG questionnaire**.
- An **individual factsheet generated for each GP** to enable them to track their annual ESG scoring over time and benchmark with other GPs.
- **ESG controversies of companies invested by the funds monitored**.

FIGURE 15. EXAMPLE OF A GP FACTSHEET TEMPLATE



A tailored scoring methodology

Five Arrows has developed an in-house scoring methodology tailored to its secondary investment strategy. This methodology focuses on potential red flags in prospective transactions and assesses GPs both pre-investment and annually throughout the holding period.

Through this process, GPs are assigned a profile ranging from "Poor Performer" to "Committed" based on their ESG maturity.

This scoring system also helps identify the most effective collaborative engagement practices to implement with each GP during the holding phase.

By continuously evaluating GPs based on their ESG performance and sharing this feedback within the portfolio, Five Arrows ensures a proactive approach to responsible investment management.

FASO VI intends to seek transactions with GPs that will enable Five Arrows to mitigate sustainability-related risks and monitor ESG maturity and stewardship practices.

FIGURE 16. TAILORED SECONDARIES SCORING OUTPUTS FOR GPs

POOR PERFORMER
Demonstrates a **low level of maturity** and **does not have the ambition to improve** on this dimension

IMPROVER
Implements a **basic framework** of responsible investment but still has a **large margin for improvement**

POTENTIAL
The scene is set for further progress with **the ambition to do better**

STARTER
Already **implementing some good responsible investment practices** with a good level of understanding/ambition

COMMITTED
Implementing **nearly all of the good responsible investment practices** identified in the market

KEY FEATURES

- Assess the maturity of the GP regarding ESG integration and responsible investment practices
- Assess the climate performance of the underlying portfolio
- Take into consideration the size and resources of the GP
- Identify ESG-related controversies to evaluate potential mitigation or remediation plans
- Proprietary tools and templates with a standard approach to harmonise our assessment over time and across GPs

RED FLAG IDENTIFICATION
Anticipate any event that, should it occur, could negatively impact the value of the investment

ESG SCORING
Determine the stewardship initiatives we will conduct during the holding phase

FASI's approach to environmental impact: Investing in a sustainable future

The establishment of the Sustainable Development Goals (SDGs) by the UN in 2015 marked a critical turning point for the impact investing market. By providing a clear framework of targets and metrics, the SDGs offered financial institutions a structured approach for setting their own sustainability goals.

FASI focuses on companies that contribute to at least 1 out of the following 8 SDGs:

The seventh anniversary of the United Nations Sustainable Development Goals and the Paris Climate Accord marks a critical moment, with no developed country on track to meet their climate commitments.

In 2022, Five Arrows launched its first impact fund, Five Arrows Sustainable Investments ("FASI"). FASI is a buyout environmental thematic fund, focusing primarily on minority investing in European SMES that contribute to solving environmental issues while generating attractive financial returns for investors.

FASI's investment strategy involves building a diversified portfolio of companies across key sectors, including Energy, Food and Agriculture, and Sustainable Cities. Investments primarily focus on companies with proven business models and an emphasis on innovation, robust barriers to entry and organic growth.

FASI's impact measurement methodology is integrated throughout the investment cycle to ensure that both financial and non-financial goals are met. The fund benefits from its partnership with the Solar Impulse Foundation and Air Liquide, which offer industrial and scientific expertise for evaluating environmental impact of eligible companies. The fund's ethos revolves around balancing risk-adjusted returns and environmental impact while contributing to the Paris Agreement's goal of limiting global warming.

FASI's ambition is to have a positive impact on its portfolio companies. That is why a key objective for the fund is to formalise a sustainability roadmap in the first 18 months of investment for each company. This sustainability roadmap typically includes the definition and monitoring of target KPIs suitable to the company's activity, and the definition of climate targets in line with the Paris Agreement.

By prioritising sustainability, innovation and proven management teams, FASI aims to lead the way in responsible and impact investing, supporting companies that drive environmental progress while delivering significant returns to investors.

Partnership with Solar Impulse Foundation & Air Liquide

FASI has developed a partnership with Solar Impulse Foundation and Air Liquide, combining the longstanding private equity experience of Five Arrows with the environmental impact assessment expertise of Solar Impulse Foundation and the industrial know-how of Air Liquide.

Solar Impulse Foundation was founded with the goal of selecting, labelling and promoting innovative, clean and profitable solutions to support political and business decision-makers in their environmental targets.

To assess the environmental impact of its eligible investments, FASI uses the Solar Impulse Efficient Solutions label to evaluate and measure the environmental impact delivered by solutions.

Air Liquide is a world leader in gases, technologies and services for Industry and Health. Air Liquide is present in 78 countries with approximately 64,500 employees and serves more than 3.8 million customers and patients.

Through this exclusive partnership, FASI leverages Air Liquide's expertise in energy decarbonisation, gives an industrial edge to portfolio companies, and benefits from ALIAD's (the Air Liquide venture capital arm) dealflow and advice for late-stage venture investments.

A combination of the Five Arrows, Solar Impulse Foundation and Air Liquide networks creates a unique opportunity to source attractive investment opportunities, provide industrial and scientific expertise to improve operations and make good companies even better.

CASE STUDY

Driving sustainable change: FASI's holistic approach to impact investment with SMRD-Harmonie

SMRD-Harmonie, the first investment completed by FASI, is a leading player in the building renovation market in Ile-de-France (Paris area). It offers two types of services: i) renovation work for housing that enables insulation to be fitted from the inside; and ii) external thermal insulation for collective housing. The company's services help improve access to affordable and quality housing for tenants from social or private backgrounds, while reducing building energy consumption thanks to energy efficiency gains. Its operations not only yield substantial energy and water savings, thereby mitigating greenhouse gas emissions, but also enhance building accessibility for people with reduced mobility or the elderly, and improve tenants' thermal comfort.

KEY FIGURES IN 2023

153
employees

Certified **ISO 14001:2015**, the internationally recognised standard for environmental management systems (EMS)

30%
of revenue aligned with **SDG 7**

FASI KEY LEVERS FOR ACTION	ACTIONS TAKEN WITH SMRD-HARMONIE
PRE-INVESTMENT	
Evaluation of ESG performance	The investment team meticulously assessed SMRD-Harmonie's ESG performance before investing, using an in-house ESG checklist supplemented by external ESG due diligence. This comprehensive assessment gauged both the positive and negative impacts of the company's activities on achieving SDGs. It also included a module based on the Sustainability Accounting Standards Board materiality matrix, which identified any significant issues necessitating further technical assessment or post-investment management.
Contribution to UN SDGs assessment	SMRD-Harmonie's activities, primarily focused on thermal insulation of buildings and small-scale renovation works, contribute notably to SDG 7, specifically targeting SDG 7.3 (Energy efficiency) to double the global rate of improvement in energy efficiency by 2030. Initial assessments revealed that 28% of SMRD-Harmonie revenues were aligned with these sustainability goals in 2022.
Reputational screening	Before making any investment decisions, we consulted our controversy monitoring tool, Reprisk. Throughout the holding period, our ongoing engagement with the company's management allowed us to promptly identify and address any practices that might jeopardise our environmental or social investment objectives.
HOLDING PERIOD	
Development of sustainability roadmap	In close collaboration with the company's management and other equity holders, FASI defined a timeline for formalising an adapted sustainability roadmap. While the company continues to refine this roadmap, notable progress has been made, including the establishment of a whistleblowing policy and other related initiatives.
Formulation of climate action plan	As an initial step, SMRD-Harmonie conducted a thorough assessment of its carbon footprint for the years 2022 and 2023. This critical groundwork will serve as the foundation for developing an ambitious climate strategy in 2024, with the guidance and support of external consultants.
Identification of target impact KPIs	Work commenced in 2023 to develop a tool that will assist SMRD-Harmonie in identifying and assessing the environmental and social impacts generated by its activities, such as energy and water savings. This tool, designed with a robust methodology, will enable the company to report on and enhance its impact generation efforts.

CASE STUDY

EODD: Leading sustainable change as a mission-driven engineering company

EODD, the second investment completed by FASI in 2024, is a multidisciplinary engineering, consulting and design office specialised in environment, energy and the ecological transition. For nearly 33 years, the company has been committed to environmental and sustainable development.

EODD's mission is "to convince, design and deploy high-value environmental and social solutions for today and tomorrow."

From its inception in 1991, EODD was among the pioneering consulting firms in green engineering, working in the remediation of sites and soils and waste management. The company soon expanded from conducting environmental assessments to handling regulatory authorisation processes governed by France's Environmental Code. At the beginning of the 2000s, EODD broadened its skills by developing the know-how required to plan, authorise, design and evaluate sustainable development and construction projects after completion, while building expertise in biodiversity, air, water and aquatic environments.

To meet the challenges of today and tomorrow, EODD has built a truly learning-centric organisation that is efficient, experienced, agile and dynamic. Since 1991, EODD has acquired solid experience through thousands of projects across several specialty areas to accelerate the ecological transition with a comprehensive 360° vision.

Its activities are based on a holistic and cross-functional approach to environmental performance, founded on complementary specialty expertise. EODD has 11 branches in mainland France and overseas, operating in all types of territories, to all scales and in all projects related to the ecological transition, the circular economy and sustainable development to produce tailored solutions that respect planetary boundaries.[1]

EODD regularly develops new expertise, relying on a corporate culture that values knowledge capital, and invests annually in research, development and innovation.

To enhance its impact with partners, suppliers, service providers and current or future clients, EODD has decided to establish a team of expert consultants, starting in early 2024. This team will be capable of advising and supporting clients in assessing and implementing or developing their Corporate Social Responsibility (CSR) approach.

In September 2022, EODD became a mission-driven company by incorporating its historical commitments into its bylaws. This legally enshrined its purpose and actions as a contributive and regenerative enterprise that is working towards the transition to a more sustainable society.

Through collective intelligence, EODD has been able to define its purpose, ensuring that its mission aligns with its values and aspirations, taking into account its contribution to environmental and social issues while highlighting the uniqueness that makes the company an engaged player in the challenges of the ecological transition. Strongly oriented towards consultancy since its creation in 1991, EODD has made "convincing" an integral part of its corporate culture, which relies on expertise in the design and operational deployment of the solutions it recommends.

EcoVadis has developed a universal solution for assessing CSR performance, now deployed in 160 countries, 200 sectors, and with over 90,000 companies. At the end of September 2022, EODD was once again awarded the gold medal rating that it initially obtained in 2020, increasing its score by 8 points (74/100 compared to 66/100), thus ranking among the top 1% of companies rated by EcoVadis in the architecture and engineering sector.

EODD ingénieurs conseils

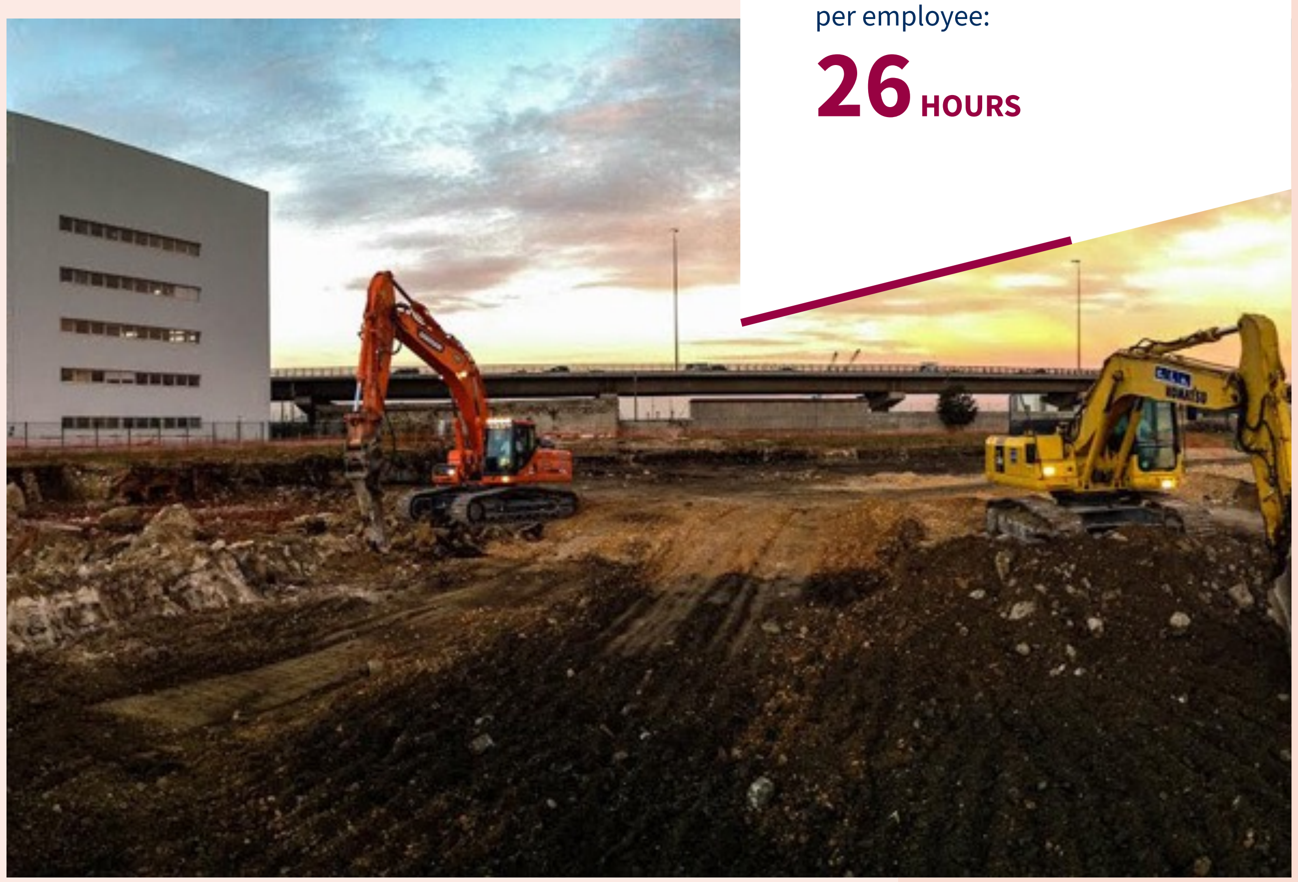
KEY FIGURES IN 2023

265
employees

EODD once again received an **EcoVadis gold medal** in 2022

Contribution to **SDGs 11 and 15**

Average annual training duration per employee:
26 HOURS



[1] Planetary boundaries are a framework to describe limits to the impacts of human activities on the Earth system.

Direct Lending: Embedding sustainability through ESG-linked ratchets

FIGURE 17. SECTOR SPLIT IN THE DIRECT LENDING PORTFOLIO[1]

- 35% Data, Software & IT Services
- 34% Business & Financial Services
- 23% Healthcare & Education
- 8% Other

Our Direct Lending funds, Five Arrows Direct Lending (FADL) and Five Arrows Debt Partners (FADP III and FADP IV), provide senior and subordinated debt financing solutions to privately-owned businesses across Europe.

As lenders rather than shareholders, our ability to access ESG-related information and influence sustainability policies is inherently somewhat more limited.

The team has nonetheless implemented an extensive and well-developed ESG strategy, before and after an investment has been made. Of particular note is the team's active participation, alongside France Invest, in a project to help standardise the terms of sustainability-linked loans. These are instruments issued with contractual commitments to achieve sustainability performance objectives, principally by means of ESG ratchets.

The team believes further market harmonisation practices should be developed and continues to play an active role in helping drive this. In 2022, our Direct Lending team collaborated with other market leaders and France Invest to pioneer the standardisation of sustainability-linked loans and we are signatories of the "Best Practice Guide for Private Debt Sustainability-Linked Financing".

In addition, the team's latest 2024-vintage fund, Five Arrows Debt Partners IV (FADP IV), has been classified as an Article 8 fund according to the SFDR, demonstrating our commitment to promoting sustainability within our portfolio.

FADP IV promotes the following environmental and social characteristics:

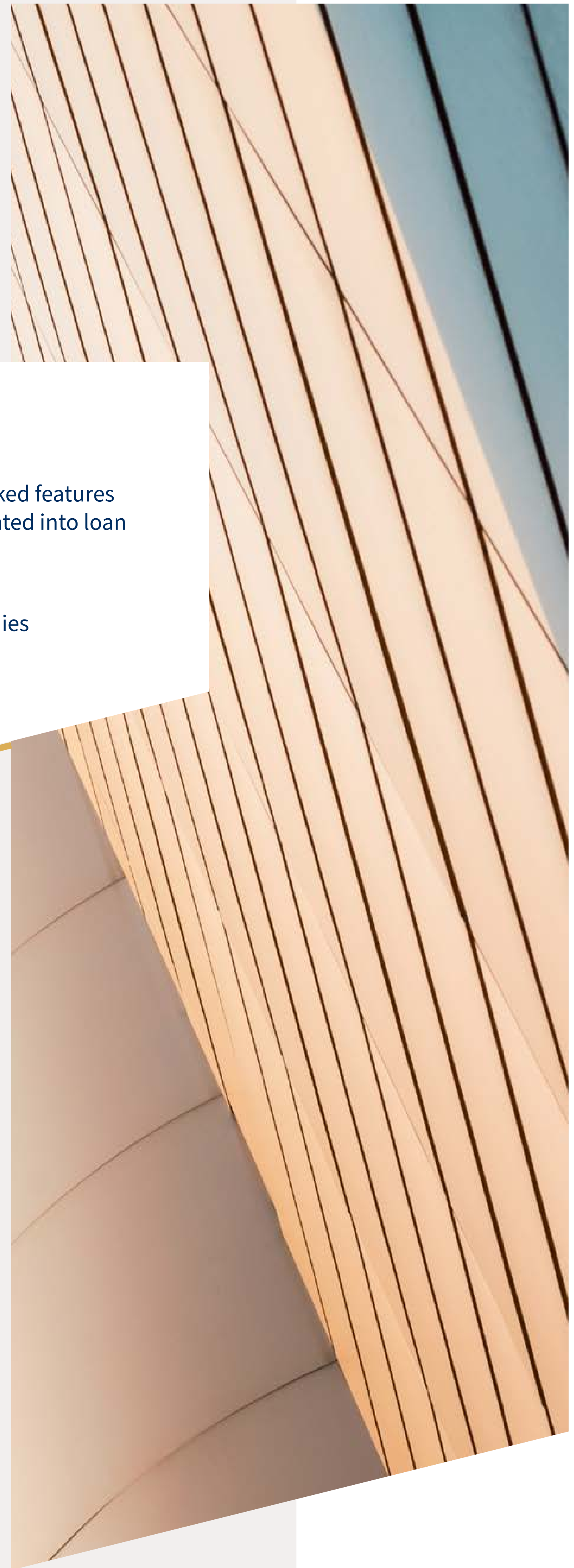
- the implementation and promotion of sustainable practices by portfolio companies;
- the adoption of a climate strategy or action plan by portfolio companies to reduce carbon emissions related to their operations; and
- a diverse work environment at portfolio companies.

Sustainability considerations are fully integrated within the investment process, as described in the next page.

KEY INFO

Sustainability-linked features have been integrated into loan agreements for

11 companies



[1] Aggregation of FADL, FADP III and FADP IV portfolios as of 31 December 2023, based on net asset value.

How we promote environmental and social characteristics

KEY FIGURES IN DL PORTFOLIO[1]

22 companies[2] completed the DL 2023 sustainability questionnaire, representing 73% of the total portfolio (vs. 58% in 2022).

82%
of responding companies have a policy of good business conduct, such as a code of ethics or a code of conduct[3]
vs. 82% in 2022[4]

68%
of responding companies conduct an annual employee survey[3]
vs. 71% in 2022[4]

91%
of responding companies have a whistleblowing mechanism[3]
vs. 71% in 2022[4]

64%
of responding companies included sustainability on the agenda of board meetings during the last year[3]
vs. 59% in 2022[4]

50%
of responding companies have a defined environmental policy[3]
vs. 53% in 2022[4]

59%
of responding companies have a sustainability strategy or roadmap[3]
vs. 53% in 2022[4]

For **91%**
of responding companies, the board or members of top management have formal oversight and responsibilities on ESG[4]

59%
of responding companies performed a carbon footprint assessment[3]
vs. 44% in 2022[5]

[1] This data has not been audited by an external third-party. We intend to progressively increase the coverage rate, reliability and consistency of the collected data.
[2] The full list of portfolio companies can be shared on request.
[3] This covers 22 companies.
[4] This covers 17 companies.
[5] This covers 16 companies.

Using its role as a lender, the Direct Lending Article 8 fund, FADP IV, employs sustainability-linked mechanisms within loan agreements, known as “sustainability-linked” or “ESG-linked” ratchets. These provisions adjust the interest rates based on the company’s achievement of predefined ESG targets.

During the pre-investment stage, ESG due diligence is conducted to evaluate potential risks and opportunities. This includes assessing sustainability performance through a proprietary scoring methodology, engaging in discussions with management teams and equity sponsors, and negotiating binding sustainability undertakings within credit facility agreements.

Throughout the holding period, we actively support portfolio companies in achieving better sustainability performance and ESG practices. This involves agreeing on company-specific sustainability targets, deploying annual ESG questionnaires, continuous monitoring of potential controversies, and fostering discussions on ESG-related topics through regular meetings.

Companies are encouraged to complete an annual ESG questionnaire to assess their overall maturity in ESG integration, generating individual reports for tracking and benchmarking progress. Tailored sustainability targets are established for each portfolio company, based on the defined ratchets, with specific indicators monitored annually to align with the fund’s objectives.

FIGURE 18. SUSTAINABILITY INTEGRATION WITHIN THE INVESTMENT PROCESS FOR FADP IV, CLASSIFIED AS AN ARTICLE 8 FUND

PRE-INVESTMENT
Identify, assess and address a portfolio company’s sustainability impact and the ESG risks entailed by a potential transaction

- Assessment of the sustainability performance of the potential transaction based on the ESG due diligence conducted by the investment team.
- Discussion of sustainability plans and opportunities with the management team and main equity sponsor of the company when possible.
- Key conclusions are included in a dedicated ESG section in Investment Committee memos.
- If the Investment Committee approves the transaction, the team will seek to negotiate some binding sustainability-related drafting within the credit facility agreement.

HOLDING PERIOD
Proactively support and encourage portfolio companies to achieve better sustainability performance and improve their ESG practices

- Agreement on company-specific sustainability ratchets and identification of indicators that will be used to monitor the achievement of these targets within the portfolio company.
- Deployment of the annual ESG reporting questionnaire.
- An individual factsheet sent to each portfolio company to enable them to track their annual ESG scoring over time and benchmark with other companies.
- ESG controversies of companies invested by the funds monitored.

CASE STUDY

Sustainability-linked loan for Ideagen: Driving ESG progress through measurable metrics

A loan with sustainability features was recently provided to Ideagen, a UK-based provider of regulatory and compliance software to customers who typically operate in medium/high risk industries from a compliance and regulatory perspective (e.g. life sciences, manufacturing, aviation, financial services, etc).

A comprehensive ESG action plan was established with the company, outlining objectively measurable milestones tied to an ESG margin ratchet, incentivising the company to achieve its ESG goals within a specified timeframe. Annually, the ESG criteria are assessed, and depending on the number of KPI targets attained, the margin may decrease by up to 7.5 bps per year.

The ESG metrics considered for the ratchet's implementation are detailed below:

- Implementing internal policies to ensure balanced and inclusive recruitment processes at all levels of the organisation and demonstrate commitment in recruitment practices to attract top talent from diverse backgrounds;
- Tracking diversity statistics including gender, ethnic and LGBTQ+ across all levels of the organisation to promote transparency and accountability. This allows assessment of Ideagen's progress in fostering a diverse and inclusive workplace;
- Increasing the ratio of female employees to reach at least 50% of all employees to achieve gender-balance in the workforce (39% in 2023);
- Completing a cyber security assessment annually, including safeguarding of personal data to ensure protection of sensitive information and mitigate cyber risks; and
- Monitoring adherence with GDPR regulations to ensure compliance and demonstrate commitment to privacy rights and safeguarding of personal data.

[1] Executive-level managers within a company.

Ideagen

KEY FIGURES IN 2023

1,667

employees

Climate strategy aligned with the Paris Agreement and **approved by the Science Based Targets initiative** (SBTi)

33%

female C-Suite executives[1]

1

employee dedicated to sustainability and formalised **sustainability strategy**

Credit Management: Completing data gaps and making ESG a core part of the decision-making process

Credit Management (CM) is a specialist manager of senior secured credit and multi-strategy credit funds, CLOs and managed accounts, with particular expertise in Western Europe and the United States.

Given the nature of these products, the CM portfolio is the most diverse within the Five Arrows platform.

The CM team's ability to drive change is limited due to its position as a minority debt investor. However, it does have other advantages such as its ability to exit or reduce positions, given the liquid nature of the asset class.

The value of financing of fossil fuel-related investments totaled $123m, or 0.5% of the Five Arrows total AuM as of 31 December 2023.

FIGURE 19. SECTOR SPLIT IN THE CREDIT MANAGEMENT PORTFOLIO

Reinforcing the integration of ESG criteria in investment decisions

In 2023, the Credit Management team changed the internal procedures within its Investment Committees (IC) to ensure that the key risks and mitigants section includes an explicit discussion of climate change risks and other key ESG risks. These provisions ensure that each IC discussion is minuted.

Launching an improved ESG due diligence tool

Until 2023, Credit Management used an ESG due diligence tool based on a scoring system with a total of 45 points (15 points for each of the E, S and G pillars), resulting in a grade on a scale from A-D or a "Fail".

In 2023, a new improved tool was co-developed by the sustainability team and the investment teams. The tool is now one of the most comprehensive within the Five Arrows platform, integrating 7 of the 8 modules explained on pages 30-31 of this report:

- Maturity assessment
- Controversy monitoring
- Sustainability risk assessment
- UNGC compliance assessment
- SDGs alignment
- Carbon footprint estimation
- Financial impact of sustainability risks

The review of ESG factors is embedded into the ongoing monitoring of all investments on Credit Management's approved purchase list.

ESG scores are actively monitored and are included in trading update summaries, which are typically circulated monthly or quarterly depending on the frequency of the borrower's reporting.

Market initiative

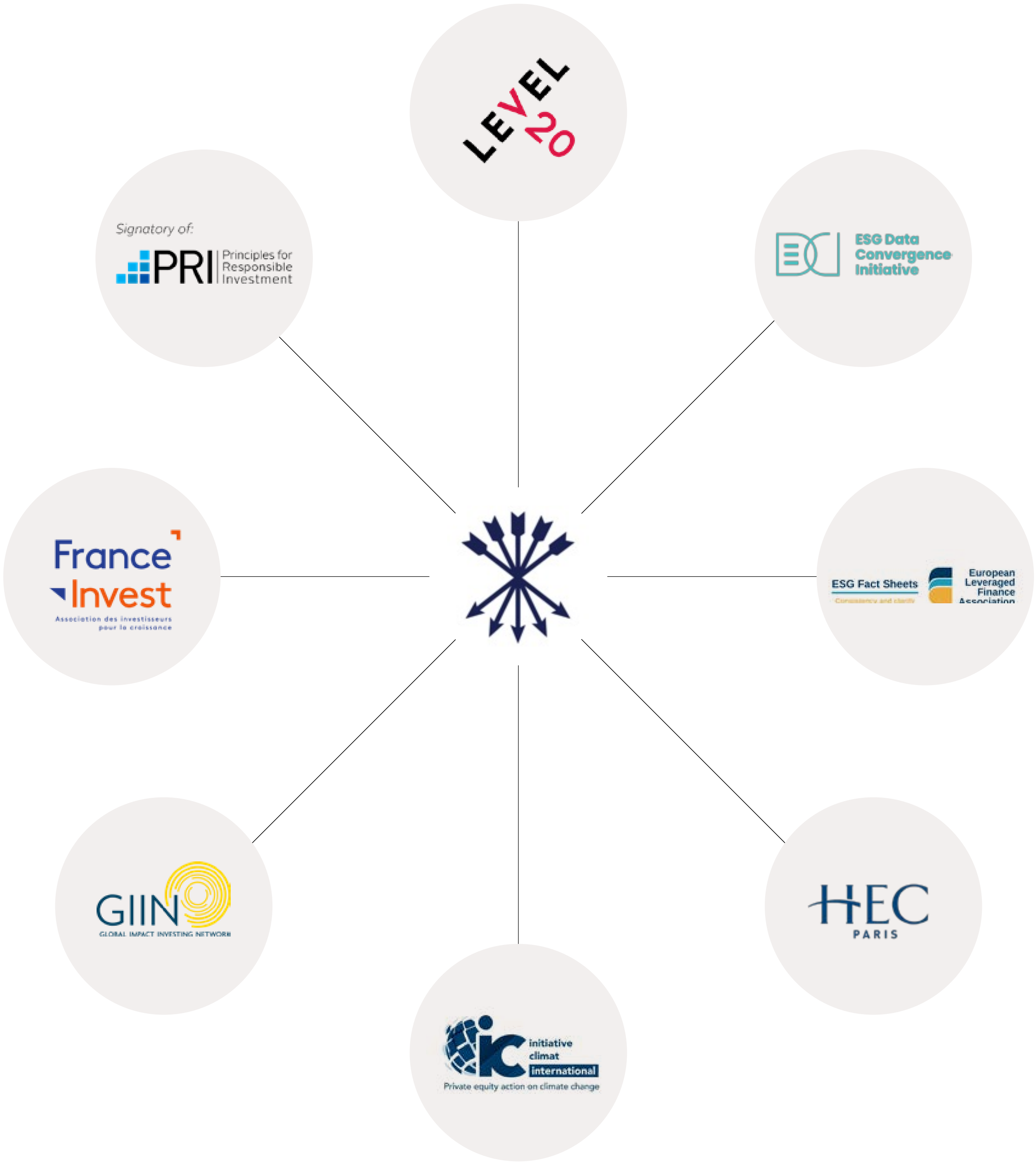
European Leveraged Finance Association

In 2023, we became a participant to the Campaign for Improved ESG Data in Leveraged Finance and Private Markets, introduced by the European Leveraged Finance Association (ELFA). In collaboration with 9fin, a debt market intelligence provider, this endeavour is geared towards tackling some of the primary hurdles we encounter in the worldwide incorporation of ESG into our Credit Management strategy. For instance, it will facilitate the organisation and reporting of ESG data from sub-investment grade borrowers.

PART 4

Building an ecosystem to foster sustainable growth

A network to foster sustainable growth



In 2012, we made the commitment to uphold the United Nations Principles for Responsible Investment. In 2023, we had attained 4-star ratings for the UN PRI Policy, Governance & Strategy and Private Equity modules.

In 2014, we pledged our support to the Charter of the French Private Equity Association (France Invest), centred on fostering the growth and sustainable development of companies. This commitment advocates for the adoption of exemplary standards in human capital management, environmental stewardship and governance practices.

Subsequently, in 2018, we deepened our commitment by becoming a signatory to the International Climate Initiative (ICi). This initiative underscores our determination to combat climate change by actively building and managing portfolios while considering climate change challenges.

In 2020, Five Arrows became a member of the Global Impact Investing Network, concurrently joining the ESG Committee of the European Leveraged Finance Association.

In 2022, we embraced the ESG Data Convergence Initiative (EDCI), affording us access to benchmarks tailored specifically for ESG metrics within the private equity industry.

Additionally, during the same year, our Direct Lending team collaborated with other market leaders and France Invest to pioneer the standardisation of sustainability-linked loans and we are signatories of the "Best Practice Guide for Private Debt Sustainability-Linked Financing".

In April 2023, Rothschild & Co and the French business school HEC forged an agreement to establish an academic chair centred on "data and impact investment". This initiative aims to support and finance research studies dedicated to exploring this burgeoning field.

In addition, Five Arrows is a sponsor of Level 20, a not-for-profit organisation established to inspire women to join and succeed in the private equity industry.

R&Co4Generations: Empowering future generations and protecting our world

KEY FIGURES

OVER

213 000

beneficiaries aged 5 – 30 supported,[1] primarily from under-privileged or disadvantaged backgrounds

54

charity partner organisations working in 35 countries

The culture of philanthropy is deeply rooted in the Rothschild & Co Group. Education and supporting young people from disadvantaged backgrounds have been key features of our philanthropic activity for over 200 years.

Created in 2021, R&Co4Generations is the Group's philanthropic foundation with a mission to empower future generations and protect our world.

Through R&Co4Generations, the Group collaborates with social purpose organisations to address the effects of social and economic inequalities and climate change. The Group's primary focus is to support local charities operating in the regions in which Rothschild & Co has a presence. In addition, R&Co4Generations supports global flagship projects such as Bibliothèques sans Frontières (BSF) and World Land Trust (WLT) to tackle issues of global significance across multiple regions.

In 2023, Five Arrows had significant involvement in these philanthropic efforts by:

- Sitting on the R&Co4Generations management and regional committees;
- Some of our team members offered their know-how in private equity investing by supporting the foundation's venture philanthropy strategy;
- Members of the Five Arrows team volunteered for local philanthropic activities, and
- Our French and UK-based teams participated in a matched giving scheme.

[1] this support includes both restricted and unrestricted funding.

R&Co4Generations has embarked on a new phase of its strategy, Venture Philanthropy – bridging philanthropy with investment. This new dynamic tool enables the foundation to amplify its capacity to make a difference by using investment profits to continue its mission of supporting social and environmental causes, locally and globally.

In collaboration with Five Arrows, R&Co4Generations is investing in pioneering social or environmental purpose startups with self-sustainable business models addressing youth unemployment, biodiversity protection and climate change.

To date, we have made four equity investments to support young companies with high potential for impact:

- **Earthwake** transforms plastic waste into fuel using mobile pyrolysis ovens called Chrysalis, helping to tackle plastic pollution and provide sustainable energy. Chrysalis is among the Solar Impulse Foundation's "1000 solutions to change the world".
- **Biscornu**, a French catering company, promotes social responsibility by employing young adults with disabilities and creating dishes from partially downgraded fruits and vegetables rescued from food waste.
- **Stokelp**, a SaaS platform, reduces food waste by enabling manufacturers to resell surplus inventory like fruits, vegetables, and meat to other industry players, improving transaction transparency and supply chain efficiency.
- **Redemption Roasters**, the UK's leading impact-led specialty coffee business, trains and employs prison leavers, achieving a reoffending rate half than the national average, thereby addressing the stigma of hiring individuals with criminal records.

KEY FIGURES

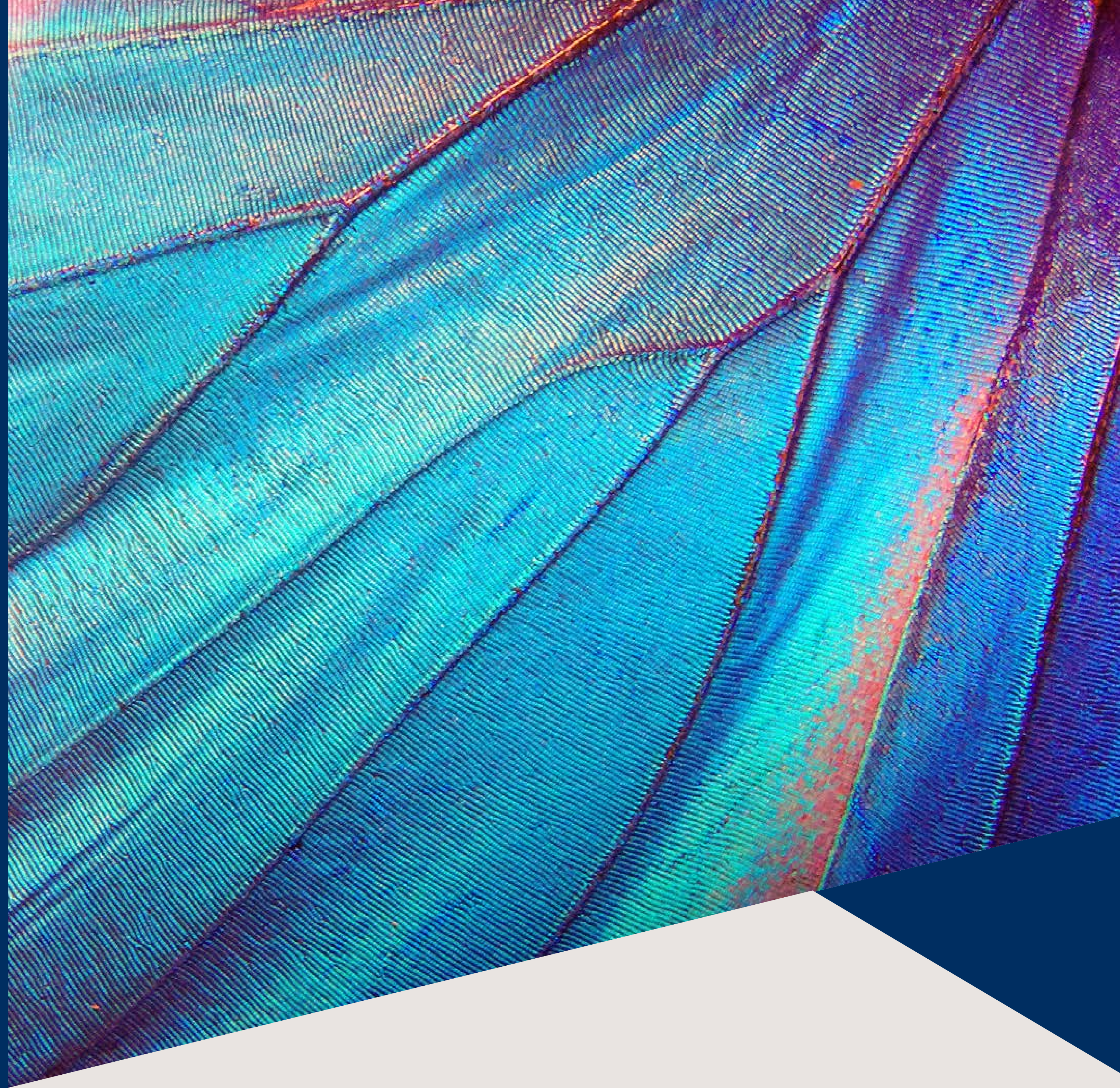
1/3

of charity partners address biodiversity loss and environmental issues

359

not-for-profit organisations benefitted from matched funding

More information about the social and environmental causes R&Co4Generations supports and how colleagues contribute to its activities can be read in the R&Co4Generations 2023 Progress Report.



Conclusion

Advancing our journey: Next steps

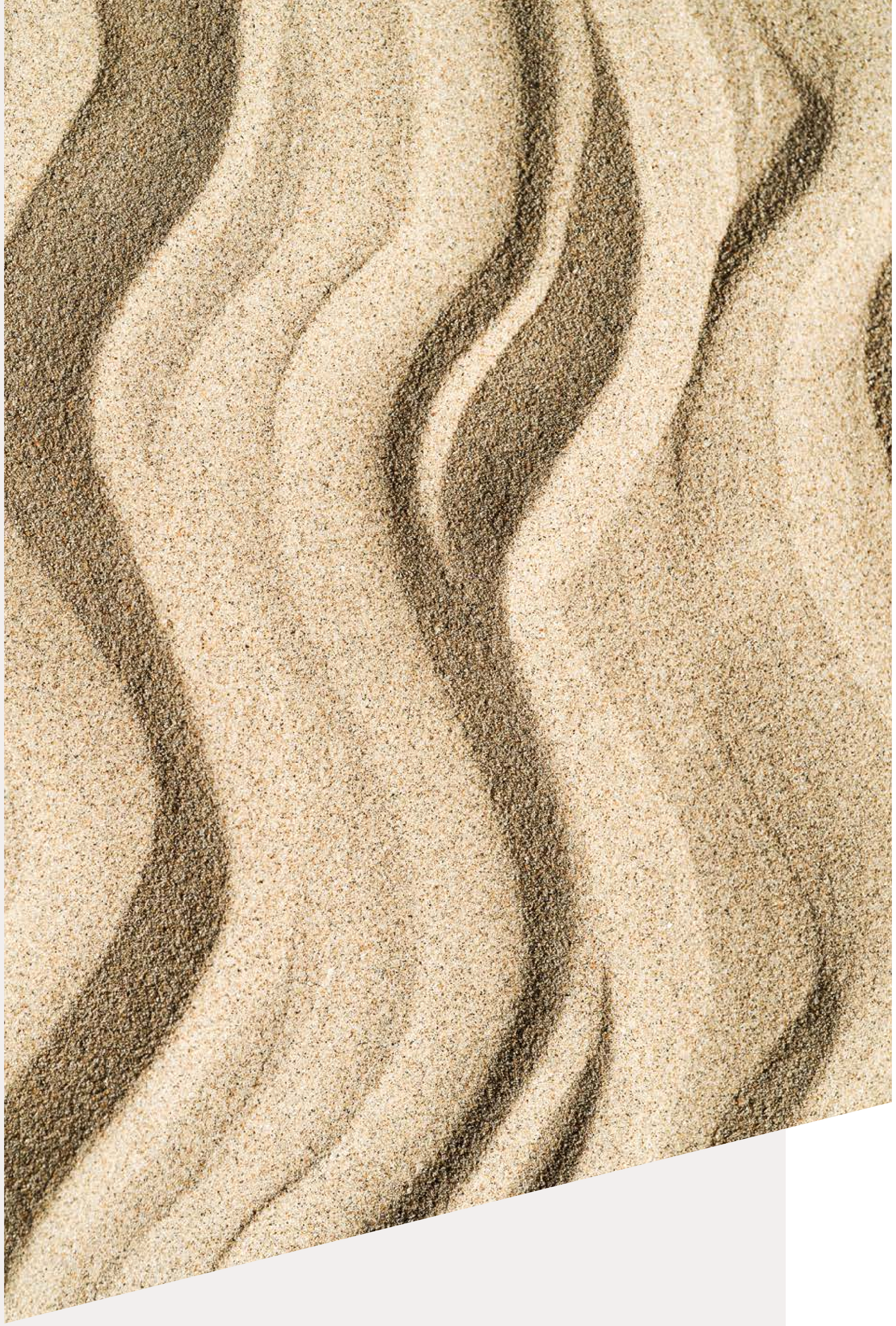
The Five Arrows 2023 Sustainability Report outlines the significant progress made in integrating sustainability across our activities during the last year.

In 2023, Five Arrows continued its efforts by further embedding sustainability into its business practices and decision-making process, across all its verticals.

Key achievements included:

- Development of a comprehensive sustainability risk policy to manage our sustainability risks through a cross-cutting framework.
- Improvement of proprietary ESG tools used by our teams during due diligence.
- The launch of a new reporting tool that allowed us to increase the coverage rate of the ESG information we collect from our portfolio companies and managers.
- Sustainability-focused training provided to our employees to equip them with the necessary knowledge for proper integration of these issues.

Since our initial commitment to responsible investment practices in 2012, we have made substantial progress. However, we remain aware of the numerous challenges ahead.



While several projects were implemented in 2023, much work remains to be done. Below are some of the new projects we are working on in 2024:

- Establishing clear objectives and methods for reducing operational and financed emissions, pending validation of targets by the Science Based Targets initiative.
- Deployment of our proprietary ESG due diligence tools across the whole platform, tailoring them to address the investment mechanisms within each asset class and the sustainability strategy within each fund.
- A deep commitment to understanding and maximising our impact and the influence that we, as investors, can exert over our portfolio during the holding phase.

We endeavour to leverage our stewardship power by implementing engagement practices with the portfolio companies and fund managers in which we invest.

In staying attuned to the latest advancements within the industry, Five Arrows remains poised to adapt its approach as necessary, while also capitalising on identified best practices.

Embracing its professional ethos, Five Arrows approaches its sustainability framework with humility and collaborates with peers to drive ESG initiatives forward.

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Five Arrows

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