CLIMATE POLICY 2024

EDMOND DE ROTHSCHILD
ASSET MANAGEMENT (FRANCE)



EDMOND
DE ROTHSCHILD

MARKETING COMMUNICATION

CONTEXT

According to the World Meteorological Organization (WMO), the last eight years have been the hottest on record, driven by the steady increase in greenhouse gas concentrations and accumulated heat[1]. The financial sector is called upon to actively contribute to initiatives to limit global warming by directing investment flows to companies with climate-sustainable business models and practices. Indeed, Article 2 of the Paris Agreement enshrines the role of the financial sector by calling for financial flows to be compatible with a low-greenhouse gas emissions trajectory and climate-resilient development[2].

Edmond de Rothschild Asset Management (France) is convinced that the climate challenge is real, **bringing major risks but also opportunities**.

We take climate issues into account as part of our fiduciary responsibility, **in a double materiality approach**, insofar as they are linked both to securing the long-term return of our funds and to the impact of our investments on the planet and society.

In 2017, we developed a climate roadmap aligned with the Paris Agreement, with the objective of helping to limit global warming to less than 2 degrees. This roadmap was updated in 2020 to take into account the climate emergency and the responses provided by the various economic actors and regulatory authorities.

Our membership[3] of the Net Zero Asset Managers (NZAM) initiative in May 2023[4] and the publication of our climate objectives in 2024 have strengthened our climate commitment and concretized the approach developed.

Therefore, we have updated our climate approach in 2024 by integrating our NZAM commitment and extending it to biodiversity issues, which are closely linked to climate issues.

In this context, Edmond de Rothschild Asset Management (France) wanted to formalise a **climate policy that materialises our commitment to the climate transition through our investments**. It aims to structure the decarbonisation approach of our portfolios and will be able to evolve in line with our progress as well as that of research, regulations, measures and methodologies available.

1. OMM, State of the Global Climate 2022
2. Paris Agreement, United Nations 2015
3. Via EdR Schweiz AG
4. after joining the Institutional Investors Group on Climate Change (IIGCC) in April 2023

TERMS OF REFERENCE

Edmond de Rothschild Asset Management's climate policy (France) is based in particular on the **final recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)**, published in 2017.

Created in 2015 at COP 21 by the Financial Stability Board (FSB), the TCFD provides recommendations in terms of communication on how companies manage climate change risks, all sectors combined, based on four pillars, namely governance, strategy, risk and impact management, and metrics and targets. This transparency was intended to provide a framework for the gradual transition to a more sustainable economy.

Nearly 5,000 companies and organizations in more than 100 countries and on six continents have so far publicly declared their support for the TCFD[5]. More recently, investors have started to use it to assess and track their climate commitments. At the end of 2023, the TCFD was absorbed by the International Financial Reporting Standards Foundation (IFRS Foundation), the parent company of the International Sustainability Stability Board (ISSB), which is continuing its work to consolidate ESG reporting standards.

CLIMATE OBJECTIVES

Measuring the resilience of the portfolios managed and therefore their carbon risks has been a priority for Edmond de Rothschild Asset Management (France). We have now built up a base of understanding, governance, methodologies and data related to the challenges of climate transition that allows us to formulate, in addition **to qualitative objectives, initial quantitative objectives, based on our NZAM commitment**.

DECARBONIZATION

As part of our NZAM commitments, Edmond de Rothschild Asset Management made the following commitments in May 2024 for its eligible liquid assets (equities and bonds):

- Initial scope of commitment of 70% of the AUM,
- **Reduction of carbon intensity (scope 1 and 2[6])** in million euros invested **by 50%** by 2030, compared to 2019 levels,
- Achievement of a **carbon intensity (scope 1 and 2)** in million euros invested of **€13.75 million in 2030**.

The management of qualitative and/or quantitative objectives should focus primarily on funds with the highest carbon footprint (energy funds, for example) and those with a higher carbon performance than their benchmarks.

We will closely monitor these commitments over time and review these targets at least every five years, with a view to gradually increasing the proportion of assets under management covered, until 100% of addressable assets are included.

DIALOGUE AND ENGAGEMENT

We target at least ten **individual engagement actions** carried out each year, **including three specifically on climate** and/or biodiversity issues, with companies exposed to high risks.

5. https://www.fsb-tcfd.org/

6. Scope 1: direct emissions from resources owned and controlled by the company / Scope 2: indirect emissions from the production of purchased energy.

EXCLUSION

We are working **to improve and possibly extend our climate exclusion policy**, based on our list of sectors with a high climate impact.

METHODOLOGIES AND TRANSPARENCY

We aim to continuously improve our **climate methodologies and indicators, in line with the best market standards**, and to provide our clients with **high transparency** on the climate issues of their portfolio.

GOVERNANCE

Our climate policy is built in line with the Edmond de Rothschild Group's sustainability commitments. Thus, **our supervisory bodies**[7] have the final responsibility for aligning our climate policy with the Group's sustainability strategy.

A **Responsible Investment (RI) Steering Committee**, integrated into the Group Asset Management Committee (CAMG) and chaired by the CEO Global AM, is in charge of steering and monitoring our Responsible Investment policy, including on the climate aspect. **Various operational committees** of Edmond de Rothschild Asset Management (France) such as the Dialogue and Engagement Committee, the Exclusion Committee and the Controversies Committee complete the system.

Edmond de Rothschild Asset Management (France) has a dedicated RI team, in charge of developing its RI approach, including climate, as well as its related methodologies.

The IR team relies on IR correspondents within the management teams as well as the support teams to promote the best possible interactivity on a daily basis around ESG topics, including climate.

BROAD SECTOR APPROACH

Edmond de Rothschild Asset Management (France) has chosen to build its approach based on the recommendations of the TCFD. In line with our positioning as a conviction-based asset management company, we focus our analysis on the **sectors with the highest climate challenges, from the perspective of risks and opportunities**.

Our approach remains focused on a limited number of sectors and issuers. It leads us to identify **5 sectors and 16 sub-sectors at high risk**:

- Energie/extraction,
- Transport,
- Industry
- Utilities,
- Agriculture.

In terms of opportunities, our model has led us to **identify 25 high opportunities, present in 9 sectors**:

- Electrification
- Energy efficiency
- Renewable
- Energy storage
- Sustainable Transportation/Mobility
- Wind industry
- Business Services
- Utilities
- Agriculture

We pay particular attention to short-term risks and opportunities by actively monitoring risks and opportunities that are more difficult to grasp, such as green hydrogen or battery storage.

https://www.edmond-de-rothschild.com/media/be4flnlw/edram-climate-biodiversity-approaches.pdf

7. Board of Directors of Edmond de Rothschild (Switzerland) Group and Supervisory Board of Edmond de Rothschild Asset Management (France).

CLIMATE EXCLUSION POLICIES

Our global exclusion policy includes several exclusion policies aimed at sectors with a high climate impact.

First, coal combustion is the largest source of global warming, while electricity generation is the largest user of coal. Edmond de Rothschild Asset Management (France) has implemented a **coal exclusion policy** and defined a **comprehensive strategy for phasing out thermal coal by 2034**, with an exit schedule that distinguishes between developed (OECD) and emerging countries.

We have also decided **to phase out unconventional oil and gas companies from our portfolios**, starting with the most controversial techniques given their negative impact on the environment. We are targeting a total exit from unconventional fossil fuels by 2040.

The precise criteria of our coal and non-conventional fossil fuel exclusion policy are available on our website:

https://am.edmond-de-rothschild.com/media/j4gek0wp/edram-en-exclusion-policy.pdf

These policies are regularly reinforced and apply to all open-ended funds managed by Edmond de Rothschild Asset Management (France) and to all dedicated funds and management mandates, unless expressly refused by the client.

INTEGRATION OF CLIMATE ISSUES IN OUR EDR BUILD ANALYSIS MODEL

Our proprietary EdR BUILD analysis model takes into account the direct or indirect impact of the company's activity on the climate. We also evaluate companies' efforts to avoid and reduce the carbon dioxide (CO2) footprint.

Finally, since 2010, Edmond de Rothschild Asset Management (France) has developed a **proprietary ESG analysis methodology** that quantifies and proposes for each issuer an ESG impact, positive or negative, on its long-term valuation. This methodology has been developed for the analysis of equities and corporate bonds and includes a **climate component from both the perspective of risks (negative impact) and opportunities (positive impact)**.

We review the following areas:

- Climate governance;
- Climate Change Risk Integration
- Climate strategy, associated objectives and credibility;
- Validation of climate objectives by the Science Based Targets initiative (SBTi[8]);
- Trajectory of greenhouse gas emissions and energy consumption;
- Reporting of climate risks according to the TCFD framework;
- Consideration of the physical risks associated with climate change.

8. SBTi is a partnership between CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi aims to encourage ambitious climate action in the private sector by enabling organizations to set science-based emission reduction targets.

CLIMATE COMMITMENT

Edmond de Rothschild Asset Management (France) has a structured shareholder engagement policy, which involves individual or collective dialogue with companies, pre-Shareholders' Meeting meetings, voting and, if necessary, participation in resolution filings at Shareholders' Meetings. Our broad approach also encompasses both equity and credit asset classes. It covers several levels - transparency, performance, strategy - associated with several time horizons.

This policy includes individual **or collective dialogue and commitment on climate, focused on high-risk sectors and sub-sectors**, identified through our climate approach (see above). We prioritize engaging companies on the **Climate Action 100+ list**.[9] We focus on the critical areas of transparency, performance and climate strategy from our ESG analysis model EdR BUILD.

Participation in the filing of climate resolutions at general meetings is an additional lever to raise the issuer's awareness of the climate emergency. In particular, we are in favour of regular consultation with shareholders via resolutions on the group's climate strategy as well as the communication of the actions carried out in the context of clear and understandable reporting.

As with any dialogue and engagement, our climate commitment primarily targets issuers in our portfolio (equities and bonds).

For more information on our shareholder engagement policy:

https://am.edmond-de-rothschild.com/media/ib2nbcap/edram-en-engagement-policy.pdf

CLIMATE ASPECTS OF VOTING POLICY

Edmond de Rothschild Asset Management (France) has a voting policy at the Annual General Meeting of Shareholders with a voting perimeter covering 100% of the securities held in the portfolios managed.

This policy **includes requirements related to climate governance, particularly for companies operating in a sector that emits a lot of greenhouse gases**.

Details of our voting policy can be found here:

https://am.edmond-de-rothschild.com/media/dyznbylf/edram-en-voting-policy.pdf

PARTICIPATION IN CLIMATE INITIATIVES

A growing number of climate-related investor initiatives have emerged in recent years. We intend to take an active part in these initiatives, choosing demanding initiatives that are most likely to have an impact.

In particular, we are part of the following three international initiatives:

► **Net Zero Asset Managers Initiative (NZAM)**: The initiative, born in 2020, brings together an international group of asset managers who are committed, in accordance with their fiduciary duty to their clients and beneficiaries, to support the goal of net zero greenhouse gas emissions by 2050 or sooner. Edmond de Rothschild Asset Management joined the initiative in May 2023, after

9. Launched in December 2017 during the One Planet Summit, the Climate Action 100+ initiative has set itself the mission, over a five-year period, to encourage and influence the major emitters of greenhouse gases in the global economy. This is so that they can put into practice their opportunities for the transition to clean energy and thus respect the Paris Agreement agreed at COP21.

joining the Institutional Investors Group on Climate Change (IIGCC).[10]

The objective of this commitment is twofold: to decarbonize investment portfolios in line with a net-zero scenario and to strengthen investments in «climate solutions» necessary to achieve this goal. **Edmond de Rothschild Asset Management is currently committing more than €26 billion in assets[11] to the objective of carbon neutrality by 2050**. This initiative is therefore **strategic in nature and is the subject of specific measures and objectives**.

► **The Institutional Investors Group on Climate Change (IIGCC)**: this organization, which brings together more than 400 members from some thirty countries, encourages the emergence of sustainable finance and carbon neutrality in the field of investment. The IIGCC participates in the definition of public policies as well as the dissemination of good investment practices, with an important focus on risks related to climate change.

► **Avoided Emissions Factor Database Initiative (AEFDI)**: this initiative, launched in early 2024 and supported by a group of 9 financial actors[12], aims to create a global database of greenhouse gas emission avoidance factors offering a standardised and transparent calculation of avoided emissions. To this end, it is supported by the firm I Care by BearingPoint and Quantis, firms specialising in environmental strategy, which will develop the global database of avoided emission factors. Edmond de Rothschild Asset Management (France) has joined this initiative as a strategic founding partner.

MONITORING AND MANAGEMENT TOOLS

We attach importance to measuring the climate-related risks of our portfolios, which is the starting point for effectively managing the portfolios' decarbonisation trajectory. We have developed **a series of advanced measurement and management tools** available to management teams, in particular:

► **Climate dashboard** that includes indicators such as carbon footprint, carbon intensity (scopes 1 to 3), avoided emissions or alignment with a 2°C trajectory. Around twenty indicators are available for the fund, its index and/or its universe as well as for the companies in the portfolio;

► **Climate attribution** to quickly identify the best and worst contributors to the overall portfolio and thus determine which companies should be monitored as a priority;

► **Regulatory scoreboard** integrating the main adverse impacts (PAI) related to climate, the monitoring of which is required under the SFDR regulation;

► **ESG Impact KPI dashboard**, available for our funds that have received the French SRI label, and which lists, among other things, the most relevant climate indicators for these funds. For some of these indicators, a performance constraint can be set depending on the strategy.

The data is updated daily.

These dashboards are therefore effective tools for fund managers, who can also simulate the impact of a change in the portfolio's climate profile in a dedicated tool. They can also easily prioritize which analyses to perform, determine areas for improvement, and track progress.

10. Via EdR Switzerland

11. Or 47.5% of total eligible assets (equities and bonds) in March 2024

12. Mirova, Robeco, Edmond de Rothschild Asset Management (France), Natixis Corporate & Investment Banking, Natixis IM, Caisse des Dépôt, Comgest, Man Group, Sienna IM

REPORTING

The provision of a very exhaustive set of climate indicators in our tools has also made it possible to improve climate transparency vis-à-vis our clients by integrating them into a series of reports:

► **Monthly reporting**: for our SFDR Article 8 and 9 funds, several climate indicators are available for the portfolio and the benchmark index;

► **Impact reporting:** for our SRI labelled funds Article 8 SFDR and Article 9 SFDR, integration of key climate performance indicators for the fund and the benchmark index;

► **Dedicated reporting** (dedicated clients): production of tailor-made climate reports that may include, depending on the request, a more or less detailed analysis of the climate performance of the fund and the benchmark index, an individualised focus on the climate profile of a particular issuer as well as a report on the commitment actions related to the theme;

► **Regulatory reporting**: our climate approach also feeds into regulatory reports such as the annual Article 29 reporting of the Energy and Climate Law and the Declaration of Extra-Financial Performance.

WARNING

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