BIODIVERSITY POLICY 2024

EDMOND DE ROTHSCHILD
ASSET MANAGEMENT (FRANCE)



EDMOND
DE ROTHSCHILD

MARKETING COMMUNICATION

CONTEXT

Biodiversity is essential to human life and to life in society. However, all indicators point to a rapid and worrying decline, accelerating since the early 2000s.

Dangerous tipping points are on the horizon. Nine planetary boundaries were determined in 2009 to define the contours of a preserved living space for humanity. As a result of human activities, six of these thresholds have already been crossed in recent years and a seventh, ocean acidification, is about to be crossed *«in the near future»*.[1]

Habitat degradation and loss, especially related to our food system, is the main threat, followed by overexploitation, invasive species, disease, climate change and pollution.[2]

According to the World Economic Forum, **businesses are more dependent on nature than previously thought**, with an estimated $44 trillion in economic value that is moderately or heavily dependent on nature.[3]

The growing awareness of the importance of biodiversity issues by governments and economic actors has materialized through a succession of conferences of the parties (COP) to the Convention on Biological Diversity, including COP 15 at the end of 2022, which adopted a new strategic plan to guide international action until 2030, the «Kunming-Montreal Global Biodiversity Framework». COP 16, at the end of 2024, focused on the implementation of the 2030 goals and on the financing of this framework. At the same time, increasing regulations have been established in terms of risk identification and biodiversity reporting.[4]

Addressing biodiversity loss has become a priority for investors across all asset classes and in all regions of the world.

In this context, Edmond de Rothschild Asset Management (France) wanted to formalise its biodiversity policy, which embodies our commitment to nature through our investments. We recognise that this is a first step, reflecting the complexity of understanding and measuring the biodiversity impact of companies' activities. This policy is intended to evolve in line with advances in research, regulations, measures and methodologies available.

1. Novethic, 2024

2. WWF: Living Planet Report, 2024

3. https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/

4. E.g. Art. 29 Energy and Climate Law, level 2 of the European Union SFDR regulation, biodiversity component of the European taxonomy, biodiversity reporting requirements of the Corporate Sustainability Reporting Directive (CSRD); the nature restoration law (EU Restoration) is expected to come into force.

TERMS OF REFERENCE

Edmond de Rothschild Asset Management's biodiversity policy (France) is based on the following reference frameworks:

► **The Kunming-Montreal Global Framework (GBF[5])**, a landmark agreement that aims to reverse biodiversity loss by 2030 and ensure that it is valued, conserved and restored by 2050, was adopted at the end of 2022. Endorsed by 195 parties, the GBF consists of four goals, i.e. healthy species ecosystems, sustainable use of biodiversity, equitable sharing of benefits, and implementation and financing.

► The final recommendations of the **Taskforce on Nature-related Financial Disclosures (TNFD)**, published in September 2023, echo those of the Task Force on Climate-related Financial Disclosures (TNFD) in 2017 and aligned with the Kunming-Montréal Global Biodiversity Framework. These recommendations provide a reference framework for analysing and reporting risks and opportunities relating to climate and biodiversity.

This first version of the TNFD provides recommendations in terms of communication, all sectors combined, based on four pillars, namely governance, strategy, risk management and measures and objectives. It provides the framework for our biodiversity approach.

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

BIODIVERSITE OBJECTIVES

In a context of a lack of harmonised data and standardised methodologies, Edmond de Rothschild Asset Management considered it appropriate to distinguish between different time horizons.

In the short/medium term, we will focus our efforts on:

► **A better understanding** of the methodologies and available data as well as an active monitoring of their improvement and the publication of new methodologies and indicators,

► Monitoring **the biodiversity indicators** of our portfolios and transparency **on biodiversity issues** vis-à-vis our clients,

► **The improvement and possible extension of our biodiversity exclusion policy**, based on our list of sectors with a high biodiversity risk,

► **The gradual ramp-up of our engagement** with companies exposed to high biodiversity risks.

In the medium to long term, we want to be able to set quantitative targets related to biodiversity, based on the evolution of methodologies and indicators as well as the relevance for our investment strategies.

GOVERNANCE

Our biodiversity policy is built in line with the Edmond de Rothschild Group's sustainability commitments. Thus, **our supervisory bodies[6]** have the final responsibility for aligning our biodiversity policy with the Group's sustainability strategy.

A **Responsible Investment (RI) Steering Committee**, integrated into the Group Asset Management Committee and chaired by the CEO Global AM, is in charge of steering and monitoring our Responsible Investment policy, including on the biodiversity aspect. **Various operational**

5. Global Biodiversity Framework

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

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 biodiversity, as well as its related methodologies.

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

BROAD SECTOR APPROACH

Edmond de Rothschild Asset Management (France) has chosen to build its approach based on the recommendations of the TNFD. In line with our positioning as a conviction-based management house, we focus our analysis on the sectors with the highest biodiversity stakes, 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 6 sub-sectors at high risk**:

- Consumer goods: food and beverage
- Materials: metals & minerals
- Energy: Oil & Gas and Energy Producers
- Consumer durables: textiles
- Industry: Chemicals

In terms of opportunities, our model has led us to identify **9 high opportunities, present in 5 sectors**:

- Agri-food industry: regenerative agriculture, sustainable fisheries/aquaculture, plant sectors, organic products
- Forests: reforestation/sustainable forests
- Maritime spaces: coastal ecosystems, marine ecosystems
- Utilities: water management
- Circular economy: recycling

We pay particular attention to short-term risks and opportunities by actively monitoring risks and opportunities that are more difficult to grasp, such as regenerative agriculture.

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

THEMATIC APPROACH

Our sector-based approach is complemented by a thematic approach, on particularly significant issues on which data is growing and being structured. Themes have already been identified or are in the process of being identified by international legislation or treaties (e.g. EU Deforestation Regulation (EUDR[7]), EU REACH regulation[8], Global Plastic Treaty[9]), including:

- Deforestation
- Water
- Plastics
- PFAS[10].

7. Coming into force pending
8. Registration, Evaluation, Authorisation and Restriction of Chemicals)
9. Expected for 2025
10. PFAS, or per- and polyfluoroalkyl substances, are a group of synthetic chemicals that have been used in various industries since the 1940s. Their persistence in the environment and the human body has earned them the nickname «forever chemicals.»

BIODIVERSITY EXCLUSION POLICIES

Our global exclusion policy includes several exclusion policies aimed at sectors with a high climate and biodiversity impact. Indeed, while the main driver of biodiversity loss remains human land use, climate change is playing an increasingly important role in biodiversity decline.

Thus, our **policies of exclusion of coal and non-conventional fossil fuels** are already part of the biodiversity exclusion system.

In 2024, we also implemented a **first biodiversity sectoral exclusion policy**, aimed at excluding companies whose activities are exposed to a significant risk of deforestation. This policy covers **the cultivation and trade of palm oil**, a major cause of deforestation, forest degradation, land grabbing and human rights violations. This policy includes strict certification requirements, which is the only risk mitigation measure we can rely on.

The precise criteria of our exclusion policy for coal, unconventional fossil fuels and palm oil 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 BIODIVERSITY 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 biodiversity. We also evaluate efforts to avoid and reduce the biodiversity footprint as well as remediation of companies (e.g. reforestation projects, area rehabilitation, animal welfare).

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 **biodiversity component from both the perspective of risks (negative impact) and opportunities (positive impact)**.

We review the following areas:

- Formalization of a biodiversity policy;
- Existence of a biodiversity strategy and associated objectives;
- Integration of biodiversity risk: reporting of biodiversity risks according to the TNFD framework;
- Impact assessment; rehabilitation of degraded areas;
- Animal protection charter.

BIODIVERSITY 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 engagement on biodiversity, focusing on high-risk sectors and sub-sectors, identified through our biodiversity approach (see above). We give priority to companies on the Nature Action 100 list[11], of which we are a founding member. We focus on the critical points in terms of transparency, performance and biodiversity strategy from our EdR BUILD analysis model.

As with any dialogue and engagement, our biodiversity 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

PARTICIPATION IN BIODIVERSITY INITIATIVES

A growing number of biodiversity-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 two international initiatives:

► **Finance for Biodiversity**: Edmond de Rothschild Asset Management (France) joined this initiative in May 2021, which brings together more than 160 financial institutions. This initiative, which aims to put financial activities at the service of the restoration of biodiversity and ecosystems, was launched in 2021 as part of COP 15 and uses the principles of the Convention on Biological Diversity.

► **Nature Action 100:** in September 2023, Edmond de Rothschild Asset Management (France) joined the «Nature Action 100» initiative as a founding member alongside a coalition of 200 investors, representing more than 27$tn of assets under management. This new commitment is part of our commitment approach, which is based on an active and targeted shareholder dialogue.

11. Nature Action 100 provides a framework for biodiversity engagement on 6 themes: the company's biodiversity ambition, assessment of risks and opportunities and their transparency, target setting, implementation, governance and engagement with suppliers and other stakeholders: https://www.natureaction100.org/nature-action-100-unveils-benchmark-indicators-for-assessing-corporate-ambition-and-action-on-nature/

MONITORING AND MANAGEMENT TOOLS

We attach importance to measuring the biodiversity-related risks of our portfolios, even if we are still cautious about the possible management of biodiversity impacts, given the current methodological difficulties and access to data.

Thus, we have developed a series of advanced measurement and management tools available to management teams, in particular:

► **Biodiversity dashboard** which includes indicators such as the biodiversity impact in absolute terms, the intensity of biodiversity impact, the impact of different pressures (soil change, etc.) on biodiversity, and a company's exposure to activities and geographical areas that are sensitive from a biodiversity point of view. Around twenty indicators are available for the fund, its benchmark index and/or its investment universe as well as for the companies in the portfolio;

► **Biodiversity attribution**, which allows you 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) relating to biodiversity, the monitoring of which is required under the SFDR regulation;

► **ESG Impact KPI dashboard**, available to our funds that have received the French SRI label, and which lists, among other things, the most relevant biodiversity 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. They can also easily prioritize which analyses to perform, determine areas for improvement, and track progress.

REPORTING

The provision of a very exhaustive set of biodiversity indicators in our tools has also made it possible to improve biodiversity 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 biodiversity 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 biodiversity performance indicators for the fund and the reference index;

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

► **Regulatory reporting**: our biodiversity 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.

EDMOND
DE ROTHSCHILD

WARNING

December 2024. This document is issued by Edmond de Rothschild Asset Management (France).

This document has no contractual value, it is designed exclusively for information purposes. Any reproduction or use of all or part of its content is strictly prohibited without the authorisation of the Edmond de Rothschild Group.

The information contained herein should not be construed as an offer or solicitation of a transaction in any jurisdiction in which such offer or solicitation would be unlawful or in which the person making the offer or solicitation is not authorized to act. This document does not constitute and should not be construed as investment advice, tax or legal advice, or a recommendation to buy, sell or continue to hold any investment. EdRAM cannot be held responsible for any investment or divestment decision taken on the basis of the information contained in this document.

This document has not been reviewed or approved by any regulator in any jurisdiction. The figures, comments, projections, and other elements contained in this presentation reflect EdRAM's sentiment on the markets, their evolution, taking into account the economic context and the information available to date. They may no longer be relevant on the day the investor becomes aware of them. EdRAM cannot be held responsible for the quality or accuracy of the economic information and data from third parties.

«Edmond de Rothschild Asset Management» or «EdRAM» is the trading name of the asset management entities of the Edmond de Rothschild Group. This name also refers to the Asset Management division of the Edmond de Rothschild Group.

EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)

47, rue du Faubourg Saint-Honoré, 75401 Paris Cedex 08

Public limited company with a Management Board and Supervisory Board with a capital of 11,033,769 euros - AMF GP approval number 04000015 - 332.652.536 R.C.S. Paris

www.edmond-de-rothschild.com