EDMOND DE ROTHSCHILD

"SUSTAINABLE INVESTMENT" DEFINITION AND METHODOLOGY

of Edmond de Rothschild (France), Edmond de Rothschild (Europe)[1] and Edmond de Rothschild (Suisse) SA

I. REGULATORY FRAMEWORK

A. In the European Union

The Sustainable Finance Disclosure Regulation (SFDR) which entered into force on 10 March 2021 defines the transparency requirements in relation to sustainable development for financial market participants. Its aim is to improve information relating to the sustainability and comparability of financial products. SFDR Level II (which entered into force on 1 January 2023) notably requires financial institutions to disclose the sustainability features of the portfolio management services they provide.

Within this framework, Edmond de Rothschild (France) and Edmond de Rothschild (Europe) have prepared a "sustainable investment" definition and methodology, in accordance with Article 2(17) of the SFDR.

B. In Switzerland

The Swiss Bankers' Association Guidelines for financial service providers on the integration of environmental, social and governance ("ESG") preferences and ESG risks into investment advice and portfolio management (the "**ESG Guidelines**") set a minimum, uniform standard for the integration of ESG preferences and ESG risks into investment advice and portfolio management offered by a Swiss bank.

In this regard, it should be noted however that Edmond de Rothschild (Suisse) SA does not currently offer investment advisory services taking into account the clients' ESG preferences.

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[1] Including the branch of Edmond de Rothschild (Europe) in Belgium, based at avenue Louise 235, 1050 Brussels, registered in the Brussels Register of Legal Entities under VAT number BE 0479 608 085.

The following general principles are analysed in order to identify a sustainable investment at the Edmond de Rothschild group:

- Investment in an activity contributing to an environmental or social goal (positive contribution).
- Investment which does not cause significant harm to any of the objectives defined by the regulations (Do No Significantly Harm ("**DNSH**")).
- Investment in companies which apply good governance practices.

⇨ **An investment which at the same time meets the requirements of positive contribution, DNSH and good governance is considered to be a sustainable investment.**

The criteria for analysing these principles are detailed in section III below.

II. SCOPE OF APPLICATION

A. In the European Union

Management mandates classified as Article 8 or Article 9 according to the SFDR.

With regard to Edmond de Rothschild (France), it should be recalled that this company entrusted Edmond de Rothschild Asset Management (France), its subsidiary specialising in asset management, with the mission of selecting assets and determining the allocation of the accounts under management in accordance with the terms and conditions of the mandates granted by its clients. Edmond de Rothschild (France) oversees the activity outsourced in this way and remains solely liable for the proper execution of mandates vis-à-vis end clients. It relies largely on the expertise developed by its subsidiary in relation to responsible investment.

B. In Switzerland

Discretionary portfolio management mandate executed in accordance with Article 1 of the ESG Guidelines.

III. DEFINITION OF A SUSTAINABLE INVESTMENT

A. Criteria and minimum thresholds set

i. Investment in company securities

Positive contribution

The following are considered to make a positive contribution to an environmental or social goal:

- companies which make a positive contribution to at least one of the United Nations Sustainable Development Goals (SDG)[2], with a minimum score of ≥ 2.5/10, source MSCI.

or

- bonds of companies having a sustainability label, including green, social, "Sustainable" and "Sustainability-linked" bonds.

DNSH

The following are considered to be non-compliant with the DNSH requirement:

- Companies which do not undertake to incorporate and promote the principles of the UN Global Compact[3]: "Fail" status, source MSCI (PAI[4] 10)
- Companies appearing on the exclusion lists put in place by Edmond de Rothschild Asset Management (France) and Edmond de Rothschild (Europe): controversial weapons (PAI 14), thermal coal, unconventional fossil fuels (PAI 4) and tobacco.

  https://www.edmond-de-rothschild.com/SiteCollectionDocuments/Responsible-investment/OUR%20ENGAGEMENT/FR/EDRAM-FR-Politique-Exclusion.pdf

  http://www.edmond-de-rothschild.com/edmond-de-rothschild-groupe/politique-investissement-responsable

  Securities of companies subject to international sanctions (OFAC, EU, Switzerland): Source Six-Telekurs List
- Securities issued by companies located in countries appearing on the list of prohibited countries of Edmond de Rothschild Asset Management (France) and of Edmond de Rothschild (Europe).

Good governance

Companies are considered to fulfil the requirements of good governance where they obtain a minimum score of:

- 8/20, determined by the internal ESG rating model respectively of Edmond de Rothschild Asset Management (France) and of Edmond de Rothschild (Europe)
- or in the absence of internal ESG rating, 4/10, source MCSI

[2] The sustainable development goals (SDG) refer to a series of goals agreed by the various countries in the world within the framework of a development programme. There are a total of 17 global goals which countries have committed to achieving by 2030. The sustainable development goals relate to various fields, such as the environment (protecting the planet), world peace (building a more peaceful world), combating poverty, security, the dignity of communities, protection of the most vulnerable communities, etc.

[3] United Nations initiative launched in 2000 aiming to encourage companies all over the world to adopt a socially responsible attitude by agreeing to incorporate and promote a number of principles relating to human rights, international labour standards, the environment and the prevention of corruption.

[4] The PAI (Principal Adverse Impacts, referred to as *principales incidences négatives* in French) constitute a series of indicators set out in the report on technical screening criteria associated with the SFDR, enabling negative impacts in terms of sustainability to be evaluated.

ii. Investment in sovereign and supranational securities

Positive contribution

The following are considered to make a positive contribution to an environmental or social goal:

- state entities obtaining a minimum score of 55/100 under the United Nations SDSN (Sustainable Development Solutions Network) initiative[5]

  https://www.sdgindex.org/reports/sustainable-development-report-2022/

or

- sovereign bonds having a label, notably including green, social, "Sustainable" and "Sustainability-linked" bonds.

DNSH

Issues made by the following are considered non-compliant with the DNSH requirement:

- State entities subject to United Nations sanctions, source MSCI (PAI 16)
- State entities subject to international sanctions (OFAC, EU, Switzerland): Source Six-Telekurs List
- State entities appearing on the list of prohibited countries of Edmond de Rothschild Asset Management (France) and of Edmond de Rothschild (Europe).

Good governance

State entities are considered to fulfil the requirements of good governance where they obtain a minimum score of 4/10, source MCSI

iii. Investment in collective investment undertakings and investment funds which are external or managed by a company part of the Edmond de Rothschild group

The percentage of sustainable investment taken into account is the minimum sustainable investment rate disclosed by the management company of the collective investment undertaking, recorded in the fund's pre-contract documents (source MFEX: data from EET files).

iv. Derivatives

The following are considered to make a positive contribution to an environmental or social goal:

[5] The Initiative promotes the implementation of the Sustainable Development Goals (SDG) and the Paris Agreement on climate change, through education, research, policy analysis and global cooperation.

- Single name derivatives the underlying asset of which meets the criteria set out above.

IV. METHODOLOGY FOR CALCULATING THE PERCENTAGE OF SUSTAINABLE INVESTMENT IN A FUND

- Numerator:

  All assets are subject to sustainability assessment in accordance with the methodology set out in this document, except for cash and non-single name derivatives. These assets are accounted for in stock market valuation except single name derivatives which are accounted for in exposure.

  Single name derivatives having long exposure, after the netting effects of short positions and underlying assets held in position have been taken into account, are the only derivatives used to calculate the numerator.

- Denominator: Total net assets (including hedging assets or cash)

Breakdown of the calculation:

$$C_{(t_0)} = \sum_{i=0}^{n} \left(\frac{V_{exp_i}^{t_0} \in S \cap N}{AUM\ of\ funds} \right)$$

<u>Where:</u>

$C_{(t_0)} =$ *Rate of exposure to securities considered to be sustainable on the date* t_0

$V_{exp_i}^{t_0} \in S \cap N$ = *Exposure value of value i belonging to parameters S and N on the date* t_0

S = Scope of instruments eligible for calculation

N = 3 verified sustainability criteria

Nota Bene

This document was issued by Edmond de Rothschild (France) and Edmond de Rothschild (Europe) in December 2022 and reviewed and adopted by Edmond de Rothschild (Suisse) SA in December 2023.

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