Investment solutions dedicated to achieving the **Net Zero objective**

Rothschild & Co Asset Management has launched a range of responsible investment funds, called “4Change”. Two of these funds, R-co 4Change Net Zero Equity Euro and R-co 4Change Net Zero Credit Euro, have adopted, on top of their financial objectives, a carbon intensity-reduction objective aligned with the Paris Agreement.

Starting date of the project	December 2019
Project Localisation Places of implementation of the project at this stage and targeted geography if replicable.	Distributed in France, Belgium, Luxembourg, Switzerland, Austria, Germany, Spain and Italy.
Project objectives Type of climate innovation of the project with a description of the problem/issue addressed	Supporting and urging sectors and companies, particularly those that emit the most greenhouse gases, to change their practices and transform their business models in favour of a low-carbon transition.
Detailed project description	Through its R-co 4Change Net Zero Equity Euro and R-co 4Change Net Zero Credit funds, Rothschild & Co Asset Management Europe intends to offer impact-investment solutions on both equity and fixed-income markets that address climate issues and help achieve the Net Zero objective. The funds pursue a sustainable investment objective, as defined in Article 9 of the Sustainable Finance Disclosures Regulation (SFDR) and meet with the criteria of the French “*ISR*” (SRI) label. Based on enhanced bond and stock picking and issuers’ environmental practices, **the funds invest in companies that are fully committed to the climate transition and whose short- and medium-term carbon emission-reduction targets are aligned with the Paris Agreement.** The funds’ three impact levers are: ● Carbon intensity at least 20% below the funds’ benchmarks. ● A portfolio carbon intensity-reduction target of -7% on annual average for R-co 4Change Net Zero Equity Euro and between -5% and -7% on annual average for R-co 4Change Net Zero Credit. ● Urging at least 90% of companies to have their carbon intensity-reduction objectives audited by the Science Based Target Initiative (SBTi), an initiative of scientific experts to define, promote and validate best practices in reducing carbon emissions and achieving Net Zero objectives, in accordance with climate science. Those objectives are supported by a dedicated 2030 engagement plan. To achieve their carbon emission reduction and environmental-impact objectives, the Net Zero funds from the 4Change range invest in companies that are considered “Leaders” in facing climate challenges and in those considered “In transition”, which are implementing an active climate commitment. “Leaders” companies have their greenhouse gas-reduction objectives audited and validated by SBTi. Companies “In Transition” have not yet their objectives audited by SBTi, or their objectives have been audited but not yet validated. To better capture companies’ carbon trajectories, we rely on data from Carbon4 Finance, a consultancy firm and data provider specialized in climate transition. In addition, based on the partnership agreement (see below), R-co 4Change Net Zero Equity Euro and R-co 4Change Net Zero Credit Euro donate 0.15% of their management fees annually to the Océan Polaire association to help fund the Polar Pod scientific expedition. As of 31 March 2022, R-co 4Change Net Zero Equity Euro and R-co 4Change Net Zero Credit Euro accounted for a total of 165 million euros in assets under management, or about 1% of total AuM of Rothschild & Co Asset Management Europe. We believe it is important to involve as many sectors and companies as possible in this process to obtain a significant sustainable impact. R-co 4Change Net Zero Equity Euro and R-co 4Change Net Zero Credit Euro

	are among the first transition funds that have been created, whereas many climate investment strategies take a low-carbon approach by investing exclusively in low GHG-emitting sectors.

Main project's drivers for reducing the greenhouse gas emissions

Enter the information in the appropriate boxes

Reduction levers	Details on the aspects of the project
☐ Energy and resource efficiency (including behaviour)	
☐ Energy Decarbonisation	
☐ Energy efficiency improvements	
☐ Improving efficiency in non-energy resources	
☐ Emissions absorption: creation of carbon sinks, negative emissions (BECCS, CCU/S, ...)	
☒ Financing low-carbon producers or disinvestment from carbon assets	Investing in companies committed in favour of the climate transition with short- and medium-term carbon emission-reduction objectives aligned with the Paris Agreement
☐ Reduction of other greenhouse gases emission	

Emission scope(s) on which the project has a significant impact and quantification of GHG emission reductions per emission scope

Indicate the aspects of the project that contribute to the reduction of emissions per category of emissions considered (left-hand column) and the quantification of associated emissions.

Indicate the main hypotheses and calculation steps in the intended section (below the table)

For further details, please refer to the methodology guidelines.

	Aspects of the project contributing to the reduction of emissions by emission category	**Quantification of associated GHG emissions by emission category** **Please follow the quantification methodology used in [the Afep guidelines].**
Reduction of the company's carbon dependency		
Scope 1 *Direct emissions generated by the company's activity.*	Greenhouse gas emissions are a key component of Net Zero strategies for stock-picking and portfolio construction. Scope 1 emissions part of objectives analysed by SBTi and assessed by Carbon4 Finance. Factoring them into the decarbonation trajectory and timetable is fundamental in understanding the emitter's carbon profile, its activity and its transformation plan and, ultimately, in selecting our stocks and bonds. This is also the case for the portfolio construction, given the steering of our carbon intensity-reduction objectives in our Net Zero portfolios is based on Scopes 1 and 2 emissions.	As of the end of March 2022, based on SFDR principal adverse impact indicators: <u>R-co 4Change Net Zero Equity Euro</u> • Scope 1 emissions: 6,659.6 (tCO2e) • Scope 1 carbon footprint: 55.8 (tCO2e/Enterprise Value in €m) • Scope 1 carbon intensity: 84.96 (tCO2e/Revenues in €m) <u>R-co 4Change Net Zero Credit Euro</u> • Scope 1 emissions: 1,428.1 (tCO2e) • Scope 1 carbon footprint: 39.7 (tCO2e/Enterprise Value in €m) Scope 1 carbon intensity: 77.5 (tCO2e/Revenues in €m)
Scope 2 *Indirect emissions associated with the company's electricity and heat consumption.*	Scope 2 emissions are also part of SBTi carbon-reduction objectives and Carbon4 Finance evaluation criteria. It is essential to factor these into the decarbonisation trajectory and timetable to understand the company's energy efficiency strategy and how it manages its value chain and, hence, to select our issuers. This is also the case when constructing the portfolio, as it helps us manage our carbon-intensity objectives which are based on Scopes 1 and 2.	As of the end of March 2022, based on SFDR principal adverse impact indicators: <u>R-co 4Change Net Zero Equity Euro</u> • Scope 2 emissions: 1,573 (tCO2e) • Carbon footprint Scope 2: 13,2 (tCO2e/Enterprise Value in €m) • Carbon intensity Scope 2: 26,3 (tCO2e/Revenues in €m) • Carbon intensity Scopes 1&2: 111.2 (tCO2e/Revenues in €m) <u>R-co 4Change Net Zero Credit Euro</u>

		• Scope 2 emissions: 528.7 (tCO2e) • Carbon footprint Scope 2: 14.7 (tCO2e/Enterprise Value in €m) • Carbon intensity Scope 2: 36 (tCO2e/Revenues in €m) Carbon intensity Scopes 1&2: 113.5 (tCO2e/Revenues in €m)
Scope 3 *Emissions induced (upstream or downstream) by the company's activities, products and/or services in its value chain.*	Scope 3 emissions are now included in the selection process. We are quite careful regarding the integration of Scope 3 emissions into carbon reduction targets, validated by SBTi: the targeted reductions, the business and geographical perimeter under consideration. Scope 3 emissions are also important in the issuer's carbon profile assessed by Carbon4 Finance. However, as Scope 3 data is not yet well standardised, much less controlled by issuers, and is subject to significant double-counting, **we have chosen to not include them at this point into our funds' carbon intensity objectives, at portfolio level.** However, we do include them into our analysis of issuers and our engagement with them.	As of the end of March 2022, based on SFDR principal adverse impact indicators: <u>R-co 4Change Net Zero Equity Euro</u> • Scope 3 emissions: 7,4011.1 (tCO2e) • Carbon footprint Scope 3: 620.2 (tCO2e/Enterprise Value in €m) • Carbon intensity Scope 3: 883.2 (tCO2e/Revenues in €m) • Carbon intensity Scopes 1&2&3: 994.4 (tCO2e/Revenues in €m) <u>R-co 4Change Net Zero Credit Euro</u> • Scope 3 emissions: 13,713.7 (tCO2e) • Carbon footprint Scope 3: 381.6 (tCO2e/Enterprise Value in €m) • Carbon intensity Scope 3: 653.2 (tCO2e/Revenues in €m) Carbon intensity Scopes 1&2&3: 767.2 (tCO2e/Revenues in €m)
Increase of carbon sinks		
Emissions Absorption *Carbon sinks creation, (BECCS, CCU/S, …)*	Absorption mechanisms are included in the objectives assessed by the SBTi and are a key item of our analysis of companies. We discuss the credibility, feasibility and importance of those mechanisms as part of their decarbonation strategy, so that these levers are used judiciously and legitimately.	
GHG emissions avoided by the company at third parties		
Saved Emissions *Emissions avoided by the activities, products and/or services in charge of the project, or by the financing of emission reduction projects.*	Avoided emissions are included into the carbon evaluation conducted by Carbon4 Finance. Such information is precious when analysing the impact related to a business model transformation, in particular for most polluting companies.	<u>R-co 4Change Net Zero Equity Euro</u> -5,571 (tCO2e) <u>R-co 4Change Net Zero Credit Euro</u> -4,937 (tCO2e)

Clarification on the calculation or other remarks:

tCO2e: CO2 tonne-equivalent

Difference between carbon footprint and carbon intensity: the carbon footprint is based on enterprise value, which varies as a function of the company's share price and debt. Carbon footprints are thus subject to market valuations and may change from day to day. Carbon intensity is based on a company's annual revenue and

	measures the business model's CO2 capital intensity. Revenue information disclosed by companies does not depend on their financial market valuations. The portfolio's carbon intensity is defined as the sum of carbon intensities of portfolio companies weighted by their prominence in the portfolio. For a given company, the carbon intensity used is defined as said company's annual amount (year N) of CO2 emissions (Scopes 1 and 2) divided by its annual revenues (year N). The carbon intensity calculated is rebased at 100 to reflect the coverage rate available on the carbon intensity indicator. The data needed for these calculations may come from external data providers (such as MSCI ESG Research) ● Scope 1: direct emissions ○ Direct emissions from fixed or mobile installations located within the organisational perimeter ● Scope 2: indirect emissions from energy consumption ○ Greenhouse gas emissions caused by consumption of electricity, heat, steam or cold $$Emitter's\ carbon\ intensity = \frac{Tonnes\ CO2\ emissions\ (Scope\ 1{+}Scope2)}{Revenues\ (€\ million)}$$ Remarks: as Scope 3 data is not yet well standardised, much less controlled by issuers, and is subject to significant double-counting, we have chosen to not include those emissions at this point into our funds' carbon intensity objectives, at portfolio level. However, we do include them into our analysis of issuers and our engagement with them. The avoided emissions indicator highlights the trajectories and participation of selected companies in reducing GHG emissions, while highlighting transformations of business models and the climate impacts that we are willing to support through our investment Net Zero strategy, in line with our ambition to invest in companies committed to align with the Paris Agreement. Emissions Saved are the sum of Emissions Avoided and Emissions Reduced. These data come from Carbon4 Finance, our data provider. Definitions: ● Emissions Avoided: difference between the emissions generated by a company's activities and its benchmark (for example, peer companies, sector benchmarks, etc.) ● Emissions Reduced: reduction of emissions resulting from the company's improved processes based on a benchmark year (hence, monitoring carbon-reduction objectives) Methodology: The approach taken by Carbon4 Finance compares the carbon performance by assets in the same sector with a bottom-up approach based on operating data specific to the company (physical data such as production volumes, production and sales venues, energy sources, supply chains, etc.), with a special focus on indirect emissions (Scope 3)
Modality of verification of the quantification.	**Calculation standard used (ADEME base, GHG protocol, etc.):** Among our data providers, MSCI ESG Research uses the GHG protocol, while Carbon4 Finance has adopted a specific sector-based method. We also use data from companies in our investment universe and open-source databases (TPI and SBTi). **Verification of the calculation (internal or external):** Verification using internal real-time steering tools and through annual audits as part of the labels obtained by the funds.
Other environmental and social benefits of the project If possible, list the impacts and Sustainable Development Objectives concerned	Our Net Zero investment strategies intend to contribute to the in-depth and long-term transformation of business models. Our transition approach is willing to also take into account the social dimension. In fact, we are mobilized in favour of a socially acceptable transition. Through our transition approach, we seek to support companies having the most credible improvement trajectories. In addition to a company's liabilities and financial capacities, we believe that taking social challenges into account is essential when transforming its business model. Beyond solid governance that addresses climate ambitions properly, companies must be able to rally high-quality human capital to innovate and implement strategies by considering past experiences. Therefore, it is important to keep in mind budgets and conditions linked to training and professional retraining, as well as on working and safety conditions, in order to achieve an orderly transition that is sustainable over time, while being acceptable and supported by employees. These elements are integrated into our analysis, selection process and are part of our engagement orientations. With regard to our social concerns, we are founding members of the *Investors for a Just Transition* coalition, especially for the energy and agriculture & food sectors. These two investment strategies are aligned with United Nations Sustainable Development Goal (SDG) 13 "Climate Action", by encouraging and supporting companies to reduce their carbon intensity. The Polar Pod expedition, for which Rothschild & Co is contributing to the funding, aims to collect data in the Southern Ocean, a region which remains quite unknown, and to allow international scientific institutions to study its fauna and flora and thus, to better understand oceans' role in absorbing CO2 emissions.

Project maturity level Tick the corresponding current maturity level	☐ Prototype laboratory test (TRL 7) ☐ Real life testing (TRL 7-8) ☐ Pre-commercial prototype (TRL 9) ☐ Small-scale implementation ☒ Medium to large scale implementation **Remarks**: Our Net Zero funds are distributed since 2019 in eight European countries. The funds' environmental objectives have been defined out to 2030 with a goal of achieving Net Zero by 2050.
Capacity and conditions of the project reproducibility, with associated climate impact mitigation potential	Our transition approach can be adapted to address various environmental and social issues. We also want to contribute to the development of a virtuous circle: the best performing companies in their sectors will be favoured by investors and their transition process will be replicated by their competitors, which will be beneficial at the global level. Supported by an increasing demand for impact by end-investors, strategies adopting a transition approach are also becoming more common within the asset management industry.
Amount of investment made (in €)	Cumulative assets under management of R-co 4Change Net Zero Equity Euro and R-co 4Change Net Zero Credit Euro as of 31 March 2022: 165 million euros
Economic profitability of the project (ROI)	☐ ST (0-3 years) ☒ MT (4-10 years) ☐ LT (> 10 years) **Remarks:** The recommended investment horizons are five years for R-co 4Change Net Zero Equity Euro and three years for R-co 4Change Net Zero Credit.
Engaged partnerships	Rothschild & Co Asset Management Europe is a member of the supporting committee and sponsor of Jean-Louis Etienne's Polar Pod expedition. This scientific project aims to explore the little-known Southern Ocean using a revolutionary vessel by pursuing 4 lines of research: ▪ Atmosphere-ocean exchanges ▪ A monitoring of the Southern Ocean by satellite remote sensing ▪ An inventory of marine fauna ▪ Measuring anthropogenic impacts We have established a sponsorship agreement with Polar Pod for a period of five years and are donating a portion of our "Net Zero" fund management fees to finance this expedition.
Open comments from the project owner	We have been developing our sustainable approach since 2011, when we became signatories to the United Nations Principles of Responsible Investment. We are convinced that the environmental, social and governance challenges that our societies are facing require a rapid adaptation of our business models and, hence, of all economic sectors. We want to be part of this transformation by influencing companies, including asset management companies, to adjust their practices and, by reorienting financial flows towards companies that are willing to face those challenges by offering real-world solutions.
More about the project	
Contact the company carrying the project Please specify an ad hoc e-mail address that will allow the reader to contact the project company directly	Groupmediaenquiries@rothschildandco.com
Project URL links	R-co 4Change Net Zero Equity Euro: https://am.fr.rothschildandco.com/fr/our-fonds/r-co-4change-net-zero-equity-euro/ R-co 4Change Net Zero Credit Euro: https://am.fr.rothschildandco.com/fr/our-fonds/r-co-4change-net-zero-credit-euro/
Illustrations of the project 3 photos/videos minimum (in HD format to be attached)	https://am.fr.rothschildandco.com/en/news/videos/3-minutes-chrono-to-understand-the-net-zero/ https://am.fr.rothschildandco.com/en/news/videos/polar-pod-chapter-1-jean-louis-etienne-insatiable-adventurer/ https://am.fr.rothschildandco.com/en/news/videos/polar-pod-expedition-chapter-2-the-southern-ocean-an-unknown-giant/ https://am.fr.rothschildandco.com/en/news/videos/polar-pod-chapter-3-a-technical-and-technological-challenge/ https://am.fr.rothschildandco.com/en/news/videos/polar-pod-chapter-4-a-revolutionary-scientific-expedition/

Sources: MSCI ESG Research, Carbon4 Finance, Rothschild & Co Asset Management Europe, April 2022.