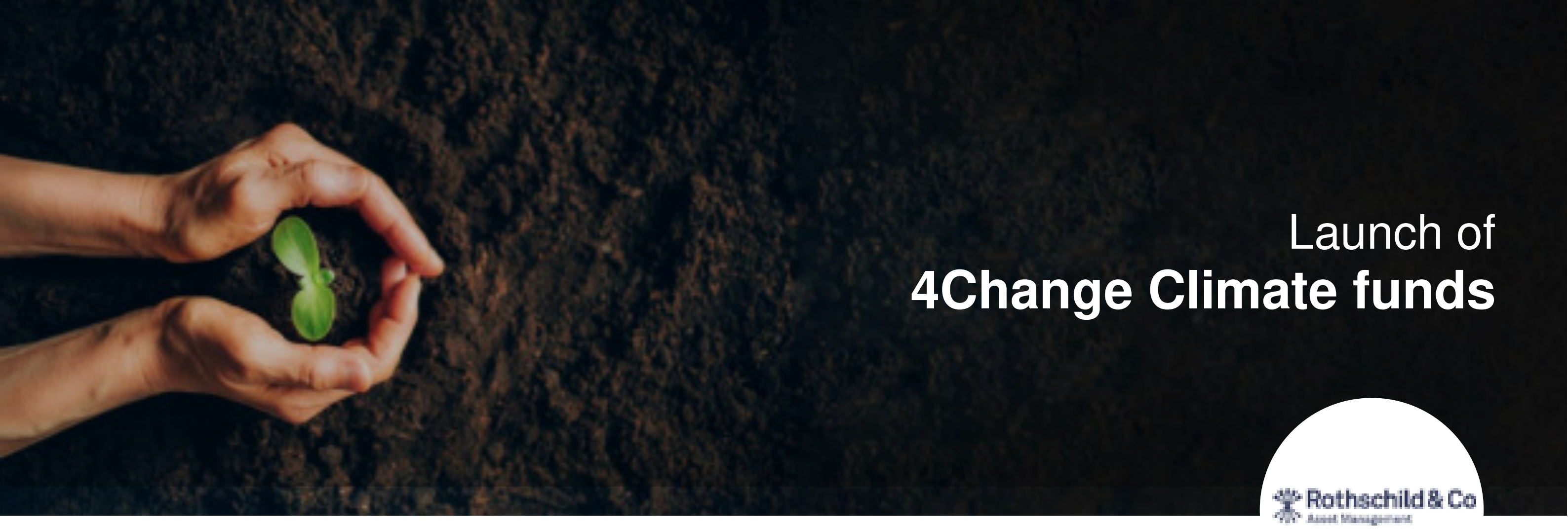

Launch of 4Change Climate funds

Rothschild & Co has launched the 4Change Climate range fund that offers low-carbon investment solutions and that monitors carbon reduction trajectory as a core and contractually binding component of fund management.

Starting date of the project	December 2019
Project Localisation Places of implementation of the project at this stage and targeted geography if replicable.	Marketing in France, Benelux, Switzerland, Germany, Spain and Italy
Project objectives Type of climate innovation of the project with a description of the problem/issue addressed	Foster issuers that have a low-carbon transition strategy and put carbon reduction trajectory management at the core of investment decisions
Detailed project description	Through its 4Change Climate fund range, Rothschild & Co aims to offer investors dynamic low-carbon investment solutions and, therefore, contribute to diverting capital flows towards companies from all sectors – including those producing most Greenhouse Gas (GHG) emissions – and that have already undertaken the green transition. With the development of 4Change Climate Funds, minimum quantitative standards were set. They have been approved by the Autorité des Marchés Financiers (AMF) and were mentioned as examples during the sustainable finance workshops of the 2020 RCCI, a training day for compliance and internal auditors. The 4Change Climate Funds are certified with the French ISR Label. For this specific fund range, monitoring the carbon reduction trajectory is a core and contractually binding component of the fund management: • Carbon intensity of Climate 4Change Funds must be 20% lower than the benchmark and comply with an annual average decrease of 5% by 2030; • To achieve these objectives, we will assess portfolio companies' carbon reduction trajectories, sell positions in companies that do not meet their commitments and perform additional arbitration. This fund range relies on several innovative aspects: • Methodological: obligation to hold a minimum share of polluting sectors to prove and respect the "green transition" objective of the fund; • Legal: one of the first legal documents with strong commitment to integrate clear quantitative ESG targets and minimum coverage requirement for net assets (by percentage) • High level of transparency on carbon data: a minimum coverage rate to be respected for emissions information; • Extra-financial reporting validated by the regulator while the legal documentation is being negotiated. Rothschild & Co Asset Management Europe redistributes part of its management fees to the NGO Up2Green to contribute to actions supporting both biodiversity and development of natural carbon sinks. Listed below are some technical characteristics of the fund range: Strengthened ESG selection criteria for stock-picking: - Exclusion of companies involved in new "thermal coal" projects; - Exclusion of the lowest 20% of companies presenting the worst ratings based on extra-financial criteria (ESG rating); - Reinforced selection for the most polluting sectors: exclusion of the lowest 20% of companies presenting the weakest transition strategies towards a low-carbon economy. o Monitoring of the funds' carbon intensity (scopes 1 and 2) that should: - Be 20% lower than benchmark; - Have annual average reduction trajectory of 5% by 2030

Main project's drivers for reducing the greenhouse gas emissions

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	Financing issuers that have undertaken actions for a low-carbon transition
☐ 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

	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.*		
Scope 2 *Indirect emissions associated with the company's electricity and heat consumption.*		
Scope 3 *Emissions induced (upstream or downstream) by the company's activities, products and/or services in its value chain.*	Financing issuers that have undertaken actions for a low-carbon transition addressing scope 1 and 2	Carbon intensity (scope 1 & 2) at December 31, 2020: R-Co 4Change Climate Credit Euro = 136.7 TCO_2 / € M revenue covering 95% of PTF vs. iBoxx Corp = 178.3 TCO_2 / € M revenue
Increase of carbon sinks		
Emissions Absorption *Carbon sinks creation, (BECCS, CCU/S, …)*		
GHG emissions avoided by the company at third parties		
Avoided Emissions *Emissions avoided by the activities, products and/or services in charge of the project, or by the financing of emission reduction projects.*		

Clarification on the calculation or other remarks:
Carbon intensity:

- The carbon intensity of the portfolio is defined as the weighted average of the carbon intensities of the companies in the portfolio
- For a given company, the carbon intensity is defined as the annual amount (year N) of CO_2 emissions (scopes 1 and 2) divided by the company's annual revenue (year N). The carbon intensity calculation is adjusted to a 100 basis and takes into account the coverage rate available for the carbon intensity indicator. Data used for these calculations may come from external data providers (MSCI ESG Research)
- Scope 1: Direct emissions
  - Direct emissions from fixed or mobile facilities located within the organizational activities
- Scope 2: Indirect emissions related to energy consumption
  - GHG emissions related to energy consumption coming from electricity, heat, steam or cooling consumption

Type of assets to which carbon intensity calculation may be applied: stocks, bonds (private only), convertibles, conventional multi-asset funds (provided that at least 50% of the securities held in portfolio present a carbon intensity)

Coverage rate: The coverage rate is defined as the percentage of securities held in the fund with available ESG or carbon data against securities in portfolio universe presenting ESG or carbon data.

Modality of verification of the quantification.

Calculation standard used (ADEME base, GHG protocol, etc.): Corporate data, external data providers (MSCI ESG Research) and open source databases (TPI, SBTi)

Verification of the calculation (internal or external): Internal verification tools

Other environmental and social benefits of the project	The fund's management objective, the selection criteria in place, supporting many sectors and the partnership with the NGO Up2Green aim at contributing to the Sustainable Development Goals. Selection criteria applied to portfolio companies and their low-carbon strategies support the following SDGs: • SDG 11: Sustainable cities and communities • SDG 12: Responsible consumption and production • SDG 13: Climate action • SDG 14: Life below water • SDG 15: Life on land
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**: click here to enter the level of maturity of the project
Capacity and conditions of the project reproducibility, with associated climate impact mitigation potential	As part of the selection criteria, the growing number of funds monitoring their carbon trajectory should contribute by making and achieving GHG emissions reduction objectives. This is a virtuous circle which is likely to encourage more companies to set relevant and achievable GHG emissions reduction objectives. This fund range will indeed be successful if more and more companies fulfil their environmental commitments.
Amount of investment made (in €)	Funds size at March 29, 2021: • € 89 M for R-co 4Change Climate Equity Euro, • € 33 M for R-co 4Change Climate Credit Euro

Economic profitability of the project (ROI)	☐ ST (0-3 years)
	☐ MT (4-10 years)
	☒ LT (> 10 years)
	2020 Performance at December 31, 2020: R-co 4Change Climate Credit Euro C EUR = 0.92%
	Remarks:
	This fund range presents many economic advantages:
	• Balance financial (and extra-financial) performance in that:
	    ○ Climate funds are more resilient to climate risks (which are still not well integrated in valuation models) due to the strong selection process in place and based on environmental criteria
	    ○ Companies selected have been thoroughly assessed to ensure that their business model is aligned with a low-carbon economy (product offering / production methods);
	• Contributing to diverting capital flows toward issuers from all sectors and who have undertaken their green transition.

Engaged partnerships	A partnership with the NGO Up2Green has been initiated. Using funds raised by the 4Change fund range, Rothschild & Co has supported biodiversity-oriented projects in Colombia, specifically reforestation.
Open comments from the project owner	Using the various tools available to us, monitoring the carbon trajectory of a portfolio has become increasingly sophisticated. The use of simple indicators and data from companies or reliable data providers, Rothschild & Co aim to simplify the manipulation of data for management teams. By setting quantitative criteria, Rothschild & Co strongly believes that carbon trajectories can be monitored like other regular management constraints, for example, complying with credit portfolio average ratings.
More about the project	
Contact the company carrying the project	Groupmediaenquiries@rothschildandco.com
Project URL links	**https://am.fr.rothschildandco.com/fr/disclaimer/**

Illustrations of the project