EDMOND DE ROTHSCHILD

DEFINITION AND METHODOLOGY "SUSTAINABLE INVESTMENT"

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

I. REGULATORY CONTEXT

A. In the European Union

The Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR" - Sustainable Finance Disclosure Regulation), 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 sustainability and comparability of financial products. The SFDR delegated acts (which entered into force on 1 January 2023) require, inter alia, financial institutions to report on the sustainability characteristics of the portfolio management services they provide.

In this context, Edmond de Rothschild (France) and Edmond de Rothschild (Europe) have developed a definition and methodology of "sustainable investment", in accordance with Article 2(17) of the SFDR Regulation.

B. In Switzerland

The Swiss Bankers Association's Guidelines for Financial Service Providers on the Integration of Environmental, Social and Governance ("**ESG**") Preferences and ESG Risks in investment advice and portfolio management (the "**ESG Guidelines**") set a minimum and 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, however, it should be noted that Edmond de Rothschild (Suisse) SA does not currently offer investment advisory services that take into account clients' ESG preferences.

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[1] Including the branch of Edmond de Rothschild (Europe) in Belgium, established at 1050 Brussels, avenue Louise 235, registered with 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 within the Edmond de Rothschild group:

- Investing in an activity that contributes to an environmental or social objective (positive contribution)
- Investment that does not cause significant harm to one of the objectives defined by the regulation (Do No Significantly Harm – "**DNSH**")
- Investing in companies that follow good governance practices

⇨ **A sustainable investment is one that meets the requirements of positive contribution, DNSH and good governance.**

The criteria for the analysis of 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 Regulation.

Regarding Edmond de Rothschild (France), it should be noted that this company has 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 its clients' mandates. Edmond de Rothschild (France) oversees this outsourced activity and remains solely responsible for the proper execution of the mandates vis-à-vis the end clients. It relies heavily 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

Minimum criteria and thresholds

i. Investing in company securities

Positive contribution

The following are considered to make a positive contribution to an **environmental objective**:

- Companies that make a positive contribution to at least one of the following United Nations Sustainable Development Goals (SDGs):[2] SDG 6 "Clean water and sanitation", 7 "Affordable and clean energy", 9 "Industry, innovation and

[2] The Sustainable Development Goals (SDGs) refer to a set of goals adopted by the United Nations with the aim of acting for a fairer and more sustainable world. There are a total of 17 global goals that countries have committed to achieving by 2030. The Sustainable Development Goals cover a variety of areas, such as the environment (protecting the planet), world peace (building a more peaceful world), the fight against poverty, security, the dignity of populations, the protection of the most vulnerable populations, etc.

infrastructure", 11 "Sustainable cities and communities", 13 "Climate Action", 14 "Life below water" and 15 "Life on land", with a minimum activation threshold ⩾ 2.5/10, source MSCI

or

- companies with a greenhouse gas emissions reduction target validated by the Science Based Target initiative (SBTi)[3]

or

- companies reporting:
  - a percentage of turnover from their activities aligned with the European Green Taxonomy of more than 10%

  or

  - a percentage of their capital expenditure (CapEx) related to their aligned activities of more than 20%

or

- corporate bonds with a sustainability label, including green, social, sustainable and sustainability-linked bonds after analysis by the Responsible Investment team.

The following are considered to make a positive contribution to a **social objective**:

- companies that positively activate at least one of the following United Nations Sustainable Development Goals (SDGs): SDG 1, "No poverty", 2 "Zero hunger", 3 "Good health and well-being", 4 "Quality Education", 5 "Gender equality", 8 "Decent work and Economic Growth", 10 "Reduced inequalities", 12 "Responsible consumption and production" with a minimum activation threshold of ⩾ 2.5/10, source MSCI

or

- labelled corporate bonds, including social, "Sustainable" and "Sustainability-linked" bonds after analysis by the Responsible Investment team.

<u>DNSH</u>

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

- companies that do not commit to integrating and promoting the principles of the United Nations Global Compact[4] : 'Fail' status, source MSCI (PAI[5] 10)
- companies exposed to very severe controversies: MSCI red flag status

[3] 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 by the private sector by helping them set science-aligned targets for reducing their greenhouse gas emissions.

[4] A United Nations initiative launched in 2000 to encourage companies around the world to adopt a socially responsible attitude by committing to integrate and promote 10 principles relating to human rights, international labour standards, the environment and the fight against corruption.

[5] PAIs (Principal Adverse Impacts) are sustainability indicators imposed by the European SFDR regulation aimed at assessing the negative impacts of financial investments on the environment and society.

- companies on the exclusion lists set up by Edmond de Rothschild Asset Management (France) and Edmond de Rothschild (Europe), among the following activities: controversial weapons (PAI 14), thermal coal, unconventional fossil fuels (PAI 4) and tobacco
  The exclusion criteria are defined in the exclusion policy which can be consulted under the following link: https://am.edmond-de-rothschild.com/media/j4gek0wp/edram-en-exclusion-policy.pdf
- the securities of companies under international sanctions (UN, OFAC, EU, Switzerland, United Kingdom, Canada): Source Six-Telekurs List
- securities issued by companies that operate primarily in or whose registered office is located in countries on the Edmond de Rothschild Asset Management (France) and Edmond de Rothschild (Europe) list of prohibited countries.

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 of Edmond de Rothschild Asset Management (France) and Edmond de Rothschild (Europe) respectively
- or, in the absence of an internal ESG rating, 4/10 (source MSCI).

Special cases:

In the absence of MSCI's coverage of an issuer, in particular in the case of an IPO, **at the request of the managers at least 3 days before the date of the IPO,** the Responsible Investment team may carry out an in-house analysis to characterise an issuer's Sustainable Investment (YES/NO) which is based on the same methodology developed in-house (EdR Build). This analysis is intended to be provisional. As soon as the issuer is covered by MSCI, the MSCI qualification will be retained.

ii. Investment in sovereign and supra-national securities

Positive contribution

The following are considered to make a positive contribution to an **environmental objective**:

- State entities that obtain a minimum average score of 58/100 on the scores of the following Sustainable Development Goals: SDGs 6, 7, 9, 11, 13, 14 and 15, measured by the United Nations SDSN (Sustainable Development Solutions Network) initiative[6]

or

- labelled sovereign bonds, including green, "Sustainable" and "Sustainability-linked" bonds after analysis by the Responsible Investment team.

The following are considered to make a positive contribution to a **social objective**:

- State entities that obtain an average score of 61/100 on the scores of the following Sustainable Development Goals: SDG 1, 2, 3, 4, 5, 8, 10, 12 measured by the United Nations SDSN (Sustainable Development Solutions Network) initiative

or

- labelled sovereign bonds, including social, "Sustainable" and "Sustainability-linked" bonds after analysis by the Responsible Investment team.

DNSH

The issues emitted by the following entities are considered non-compliant with the DNSH requirement:

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

Good governance

State entities that obtain a minimum score of 4/10 (source: MSCI) are considered to comply with the requirements of good governance.

[6] The initiative promotes the implementation of the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change, through education, research, policy analysis and global cooperation

iii. Investment in Undertakings for Collective Investment ("UCIs") or investment funds managed by a company of the Edmond de Rothschild Group

UCIs and internal investment funds are transparated. The methodology described above applies to the assets held by such mutual funds or funds.

iv. Investment in external UCIs or investment funds

The percentage of sustainable investment taken into account is the minimum sustainable investment rate communicated by the management company of the collective investment undertaking, recorded in the funds' pre-contractual documents (source MFEX: data from the files exchanged according to the European ESG Template or "EET" market format).

v. Derivatives

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

- Single name derivatives (i.e. relating to a single reference entity or issuer) whose underlying meets the criteria set out above

IV. METHODOLOGY FOR CALCULATING THE SUSTAINABLE INVESTMENT PERCENTAGE OF A FINANCIAL PRODUCT WITHIN THE MEANING OF THE SFDR REGULATION

- Numerator:

  All assets are subject to sustainability assessment according to the methodology described in this document, with the exception of cash and non-single name derivatives. These assets are accounted for at a market valuation except for single-name derivatives which are accounted for in exposure.

  Of the derivatives, only single name derivatives are included in the calculation of the numerator, whose exposure is long after taking into account the offsetting effects of short positions and the underlying securities held in position.

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

Calculation breakdown:

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

With:

$C_{(t_0)}$ = *Exposure to securities considered durable at date* t_0

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

S = Scope of instruments eligible for calculation

N = 3 verified sustainability criteria

Disclaimer

This document is being updated by Edmond de Rothschild (France), Edmond de Rothschild (Europe) and Edmond de Rothschild (Suisse) SA in September 2025.

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EDMOND DE ROTHSCHILD (FRANCE)

47, rue du Faubourg Saint-Honoré

75401 - Paris Cedex 08 - France

A public limited company incorporated under French law with a Management Board and Supervisory Board

Share capital: 83,075,820 euros

572 037 026 R.C.S. Paris

www.edmond-de-rothschild.fr

EDMOND DE ROTHSCHILD (EUROPE)[7]

4 Robert Stumper Street

L-2557 - Luxembourg

Public limited company under Luxembourg law

B 19194 R.C.S. Luxembourg

www.edmond-de-rothschild.eu

EDMOND DE ROTHSCHILD (SUISSE) SA

18, rue de Hesse

1204 Geneva, Switzerland

https://www.edmond-de-rothschild.com/fr/groupe/presentation

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