



EDMOND  
DE ROTHSCHILD

# ARTICLE 10 (SFDR)

Information for a fund covered by Article 8 OF THE SFDR  
REGULATIONS

*Product promoting E or S characteristics*

EDR SICAV - TRICOLORE CONVICTIONS



**Product name/legal entity identifier (LEI):**

EdR SICAV - Tricolore Convictions/ 969500VUNBGWZ3Z6SC85

**A. SUMMARY**

**The fund promotes environmental, social and good governance (ESG) characteristics as defined in Article 8 of the SFDR Regulation (EU) 2019/2088.** Currently, the fund does not aim to make investments that contribute to the environmental objectives of climate change mitigation and/or adaptation as defined by the European Taxonomy.

**Regarding the investment strategy, ...**

The Sub-fund's ESG strategy aims to identify investment opportunities by identifying companies with a positive environmental or social impact and good non-financial performance.

The proprietary ESG analysis methodology is based on the consideration of the 3 ESG pillars.

**The environmental or social characteristics promoted by the fund are monitored throughout the life cycle of the fund.**

Managers have access to portfolio monitoring tools, providing climate and ESG indicators, such as the carbon footprint or temperature of the portfolio, exposure to the various United Nations Sustainable Development Goals (SDGs), as well as the environmental and social ratings of investments. Our tools provide a consolidated view of the portfolio as well as an issuer-by-issuer analysis.

The method used to determine the extent to which the social or environmental characteristics promoted by the financial product have been achieved is based on:

- A proprietary ESG rating and/or,
- A rating provided by an external non-financial data agency.

The proprietary ESG analysis methodology, EdR BUILD (Bold, Universal, Impact, Long-Term, Differentiation) is characterized by a proprietary and dynamic fundamental analysis of companies, taking into account the Environment, Social and Governance pillars, which allows for an accurate assessment of the main subjects of each sector and company. In addition, Edmond de Rothschild AM (France) has established a formal exclusion policy that includes controversial weapons, thermal coal, tobacco and unconventional fossil fuels. <https://www.edmond-de-rothschild.com/SiteCollectionDocuments/Responsible-investment/OUR%20ENGAGEMENT/FR/EDRAM-FR-Politique-Exclusion.pdf>

**Limitations to the ESG analysis methodology and data are however identifiable.**

Indeed, the management company cannot guarantee the availability of data, and may have to resort in part to estimated data. Methodologies and scope vary considerably from one supplier to another, which can limit the comparability of data.

**The management company has put in place an ESG due diligence process.** Managers take ESG analysis into account as part of their investment process. The Risk Department carries out a daily verification of investment constraints and ESG indicators.

**No specific benchmark has been designated to achieve the environmental or social characteristics promoted by the fund.**

## **B. WITHOUT A SUSTAINABLE INVESTMENT OBJECTIVE**

**This financial product promotes environmental or social characteristics, but does not aim at sustainable investment.**

Nevertheless, the fund is committed to making sustainable investments within the meaning of the SFDR regulation. Sustainable investments made by the fund ensure that they do not materially impair a sustainable investment objective, particularly:

- through the application of Edmond de Rothschild Asset Management's (France) exclusion policy, which includes controversial weapons, tobacco, thermal coal and non-conventional fossil fuels,
- ensuring that we do not invest in companies that violate the UN Global Compact.

Negative impact indicators are taken into account as part of the fund's investment process, our ESG rating model and are also included in our definition of sustainable investment (see the description of the sustainable investment methodology available on the website: <https://www.edmond-de-rothschild.com/SiteCollectionDocuments/Responsible-investment/OUR%20ENGAGEMENT/FR/EdRAM-Definition-et-methodologie-Investissement-durable.pdf>). They are integrated into the portfolio monitoring tools and checked by the Management team and the Risk Department.

Moreover, and in accordance with the requirements of the SRI label, the worst ESG ratings (min. 20% of the investment universe), along with the most serious controversies, are excluded from the investment universe, thus limiting any potential negative impact.

The managers select sustainable investments that comply with the OECD Guidelines for Multinational Enterprises and the United Nations Guidelines on Business and Human Rights, excluding any company that violates the UN Global Compact principles.

## **C. ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT**

The Sub-fund promotes environmental and social characteristics identified by our ESG (Environment, Social, Governance) analysis model, including: - Environment: environmental management strategy, energy consumption, greenhouse gas emissions, water, waste, pollution, green impact; - Social: quality of employment, human resources management, social impact, stakeholder relations, health and safety.

#### **D. INVESTMENT STRATEGY**

The Sub-fund's ESG strategy aims to identify investment opportunities by identifying companies with a positive environmental or social impact and good non-financial performance. It also aims to detect non-financial risks that could emerge from a financial perspective. For this purpose, the Sub-fund uses an internal ESG rating or an ESG rating from an external rating agency, combined with negative screening based on an exclusion list created by the management company, available on its website.

ESG criteria are taken into account at each stage of the investment process with the definition of an eligible universe (eliminating the bottom quintile of the universe based on ESG ratings) and an ESG analysis for each security, sometimes involving an active dialogue and engagement process.

Good governance practices are assessed through a comprehensive analysis of the governance pillar as part of the issuer's ESG analysis as well as through the consideration of controversies affecting the issuer.

The analysis of the governance pillar takes into account, among other things, the respect of fundamental rights, business ethics including tax practices, the structure of the Board of Directors and Committees, the composition and functioning of the Executive Committee, the remuneration policy and the treatment of shareholders.

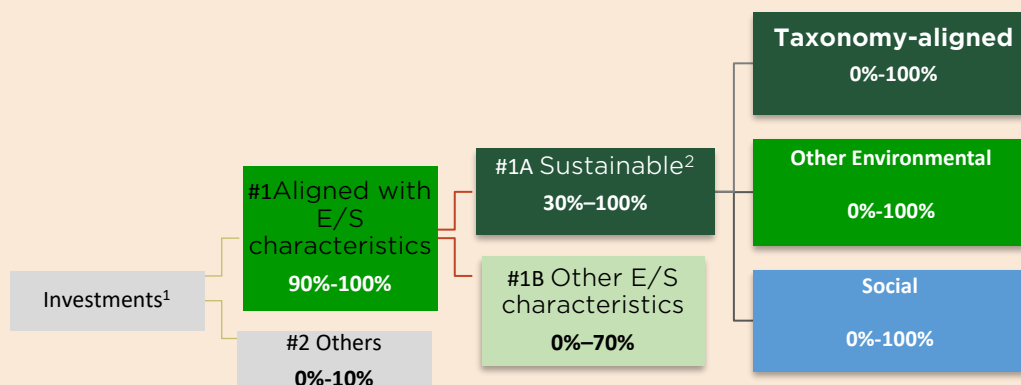
As part of the ESG analysis, for each sub-pillar, controversies are given a proprietary rating from 0 to -10, which directly impacts the overall ESG rating. The IR management team consults RepRisk or Sustainalytics or MSCI publications for controversial issues.

A minimum governance score, provided by our internal ESG analysis or the ESG analysis from an external provider, is applied to the Sub-fund's sustainable investments.

#### **E. PROPORTION OF INVESTMENTS**

##### **▪ What is the expected asset allocation for this financial product?**

Compliance with the environmental or social characteristics promoted by the fund is achieved through the direct investment of portfolio securities.



Category **#1 Aligned with E/S Characteristics** includes financial product investments used to achieve the environmental or social characteristics promoted by the financial product.

Category #2 “Others” includes the remaining investments in the financial product that are neither aligned with environmental or social characteristics nor considered sustainable investments. This includes investments for hedging purposes and cash held as ancillary liquidity.

Category **#1 Aligned with E/S Features** includes:

- subcategory **#1A Sustainable** covering sustainable investments with environmental or social objectives;
- subcategory **#1B Other E/S characteristics** covering investments aligned with environmental or social characteristics that are not considered sustainable investments.

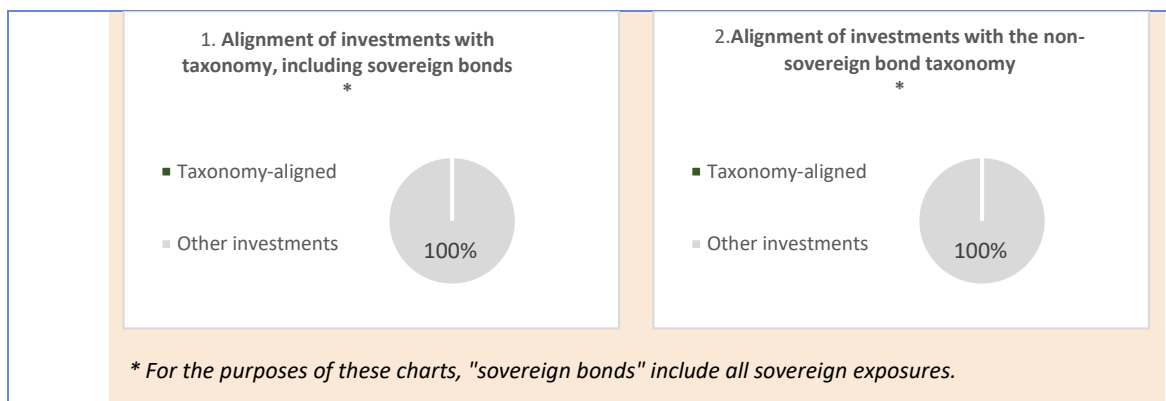
▪ **How does the use of derivatives achieve the environmental or social characteristics promoted by the financial product?**

Single Name derivatives with long exposure only (including options, futures, CDS, CFDs, etc.) are taken into account as part of the proprietary ESG analysis methodologies and the calculation of the fund’s sustainable investment portion according to the SFDR regulation.

Exposure and hedging effects on the same underlying instrument from single-name derivatives are netted.

▪ **To what minimum extent are sustainable investments with an environmental objective aligned with the EU taxonomy?**

*The two graphs below show in green the minimum percentage of investments aligned with the EU taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



▪ **What is the minimum investment in transitional and enabling activities?**

Not applicable.

- **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU taxonomy?**

Not applicable.

- **What is the minimum share of socially sustainable investments?**

Not applicable.

**F. CONTROL OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS**

The environmental or social characteristics promoted by the fund are monitored throughout the life cycle of the fund. In fact, all investment limits and thresholds defined for environmental or social characteristics are set in the management tool and checked daily by the Risk Department in pre-investment and post-investment phases.

In addition, various sustainability indicators are monitored primarily by the managers. They have various detailed ESG and climate dashboards, updated daily and partly integrated into the management tool. These dashboards allow for issuer-by-issuer tracking as well as aggregate tracking at the portfolio level, in comparison to the fund's benchmark or its investment universe. The following information is available:

- Internal and/or external ESG ratings
- Level of controversy
- CIA (carbon impact analysis)
- Alignment with the Paris Agreement trajectory (aggregate only)
- CIR (carbon impact ratio)
- CO2 emissions intensity (scope 1, 2, 3)
- Intensity of avoided emissions.

These ESG dashboards also allow managers to monitor the coverage rates in terms of ESG ratings of funds versus their benchmark or defined investment universe.

The Internal Control and Compliance team checks the control system in place annually.




**G. METHODS**

The method used to determine the extent to which the social or environmental characteristics promoted by the financial product have been achieved is based on:

- A proprietary ESG rating and/or,
- A rating provided by an external non-financial data agency.

The proprietary ESG analysis methodology, EdR BUILD (Bold, Universal, Impact, Long-Term, Differentiation) is characterized by a proprietary and dynamic fundamental analysis of companies, taking into account the Environment, Social and Governance pillars, which allows for an accurate assessment of the main subjects of each sector and company.

In order to rate a company, our SRI analysis takes into account company-specific characteristics (sector, market capitalization, capital structure) based on a comprehensive set of ESG criteria.

 <b>Environment (E)</b>	 <b>Social (S)</b>	 <b>Governance (G)</b>
<p style="text-align: center;"><b>Environmental risk management</b></p> <ul style="list-style-type: none"> <li>• Implementation of an environmental management system</li> <li>• Integration of climate change risks</li> <li>• Respect for biodiversity</li> </ul>	<p style="text-align: center;"><b>Human Resources Management</b></p> <ul style="list-style-type: none"> <li>• Job quality</li> <li>• Career and training management (human resource planning)</li> <li>• Training and diversity</li> <li>• Attractiveness</li> <li>• Health management &amp; safety</li> </ul>	<p style="text-align: center;"><b>Business ethics and fundamental rights</b></p> <ul style="list-style-type: none"> <li>• Respect for human rights and the fight against child labour</li> <li>• Fight against corruption and anti-competitive practices</li> <li>• Tax transparency</li> <li>• Responsible lobbying</li> </ul>
<p style="text-align: center;"><b>Green innovation and product impact</b></p> <ul style="list-style-type: none"> <li>• Environmental added value of products or services, innovation</li> <li>• Eco-design of products</li> </ul>	<p style="text-align: center;"><b>Societal impact</b></p> <ul style="list-style-type: none"> <li>• Employment and restructuring management</li> <li>• Supplier relations</li> <li>• Social added value of the product or service</li> <li>• "License to operate"</li> </ul>	<p style="text-align: center;"><b>Board</b></p> <ul style="list-style-type: none"> <li>• Independence of the Board of Directors and committees (audit, remuneration, etc.)</li> <li>• Separation of powers</li> <li>• Diversity of the board</li> </ul>
<p style="text-align: center;"><b>Environmental footprint</b></p> <ul style="list-style-type: none"> <li>• Greenhouse gas emissions</li> <li>• Energy consumption</li> <li>• Water consumption</li> <li>• Waste treatment</li> <li>• Discharge</li> </ul>	<p style="text-align: center;"><b>Customer Relations</b></p> <ul style="list-style-type: none"> <li>• Information and safety of products and services</li> <li>• Customer satisfaction</li> </ul>	<p style="text-align: center;"><b>CEO and Executive Committee</b></p> <ul style="list-style-type: none"> <li>• Composition and functioning of the Executive Committee</li> <li>• Profile and succession of the CEO</li> <li>• Transparency and relevance of remuneration</li> </ul>
<p style="text-align: center;"><b>Shareholders</b></p> <ul style="list-style-type: none"> <li>• Audit and internal control</li> <li>• Consideration of minority interests</li> </ul>		

The final rating, from 0 to 20, results in a differentiated weighting for each sector and even in the deactivation of some criteria that would not be relevant for the sector or the company<sup>1</sup>. It comprises 7 levels, ranging from CCC to AAA, with the highest ratings (AAA) reflecting our strongest non-financial convictions. The final score is the aggregation of the results obtained on the different criteria E, S, G of the rating grid determined by the analysts.

Below is an example of the weighting of the ESG pillars for three different business sectors<sup>2</sup>, using our ESG sector rating matrix:

<sup>1</sup> For example, a chemical company will be more concerned with environmental issues, whereas a company in the business services sector will see a greater emphasis on social factors.

<sup>2</sup> Industry classification level 2 according to the GICS® (Global Industry Classification Standard). Source: <https://www.msci.com/gics>





This exclusion policy concerns securities involved in the production or sale of weapons prohibited by international conventions (cluster bombs and anti-personnel mines, biological and chemical weapons) in the World zone for all funds under management.

The exclusion area is as follows:

- Anti-personnel mines (APMs), whose use has been prohibited by the Ottawa Convention since 1999;
- Cluster munitions, the use, stockpiling, production and transfer of which is prohibited by the 2008 Oslo Convention;
- Chemical and biological weapons, the use of which are prohibited by the 1972 Biological and Toxin Weapons Convention (entered into force in 1975) and the 1993 Chemical Weapons Convention (entered into force in April 1997).

Based on the exclusion databases provided by the rating agency Sustainalytics, as well as on the public lists regularly updated by some twenty institutional investors in France and around the world (e.g.: Norwegian Pension Fund, New Zealand Super Fund, etc.), the Responsible Investment team establishes a proprietary exclusion list that targets companies that produce/sell prohibited weapons, as well as suppliers of essential components required for their production.

### **Thermal Coal**

Edmond de Rothschild AM (France)'s thermal coal exclusion policy is in line with our Responsible Investment strategy and more specifically with our Climate Roadmap, which aims to "decarbonise" our portfolios by 2050.

Coal burning is the largest source of global warming, while electricity generation is the main user of coal. Reducing coal-related emissions is therefore one of the most effective ways to ensure an energy transition consistent with the Paris Agreement. According to the IEA (International Energy Agency) Sustainable Development Scenario (SDS), almost all of the greenhouse gas emission reductions for the energy sector - 2.8 gigatons out of a total of 3 gigatons - will come from reducing the use of coal in power generation.

Exclusion criteria:

Edmond de Rothschild Asset Management (France) excludes:

- All companies developing new coal projects involving the use of thermal coal (due to plans to build new mines/power plants/coal infrastructure; expansion of existing assets; purchase of existing coal assets without a clear commitment to close them),
- All power generators with an energy mix that is overly exposed to coal (in capacity, generation or revenue) where coal's share of power generation and/or sales exceeds 20%,
- All mining companies with high exposure to coal in terms of production, capacity or revenue where coal's share of power generation and/or sales exceeds 20%,
- Companies with a production of more than 5 GW and absolute emissions of more than 10 Mt of CO<sub>2</sub>,
- All financial subsidiaries identified as specifically financing excluded companies.

We believe it is important to encourage companies to reduce their dependence on thermal coal. In this spirit, we are attentive to the carbon trajectory of companies, and do not wish to exclude carbon-intensive thermal coal producers and power generators that make credible and measurable commitments to reduce their coal exposure in order to meet the Paris Agreement.

Thus, companies are not excluded as long as a clear exit strategy from coal-related activities is made public by 2022 at the latest or the group has a decarbonization strategy in line with a trajectory consistent with a 2°C / below 2°C scenario validated by the Science Based Target (SBT) Initiative.

Main source:

Edmond de Rothschild Asset Management's (France) thermal coal exclusion list currently covers over 2,300 issuers worldwide. Exclusions are made on the basis of the Global Coal exit list of the NGO Urgewald, a reference in the field, after an internal analysis of the involvement in coal and the possible presence of a credible exit from coal, validated by the SBT initiative.

### **Tobacco**

Tobacco is considered by the World Health Organization to be the greatest public health threat worldwide. Beyond ethics, Edmond de Rothschild Asset Management (France) analyses the risks associated with this industry: reputation, taxes, regulations, etc. Our exclusion policy targets companies that produce tobacco or for which tobacco distribution is a core business. The exclusion thresholds are 5% of revenues from production and 50% of revenues from distribution, based on data from Sustainalytics. Approximately 75 companies are involved to date, in the production or distribution sector.

### **Fossil Energy**

Edmond de Rothschild Asset Management (France) has decided to adopt a climate policy of gradually reducing its investments in oil and gas extraction companies, initially targeting non-conventional oil and gas, i.e. those requiring non-traditional extraction techniques or more difficult or costly extraction conditions. Edmond de Rothschild Asset Management (France) supports a gradual divestment from fossil fuels and a redeployment of energy capacities towards other technologies to ensure a fair transition that takes into account energy needs but also supports employment and the regions.

**The description of the sustainable investment methodology defined** by Edmond de Rothschild Asset Management (France) is available on the website of the management company: <https://www.edmond-de-rothschild.com/SiteCollectionDocuments/Responsibleinvestment/OUR%20ENGAGEMENT/FR/EdRAM-Definition-et-methodologie-Investissementdurable.Pdf>

## **H. DATA SOURCES AND PROCESSING**

### **▪ Data sources used to achieve each of the environmental or social characteristics promoted by the financial product**

The data used comes either from issuers or from external service providers, notably MSCI and Carbon4 Finance. The external partners were selected after a thorough assessment of the quality and reliability of the data provided and are reference service providers in the ESG and climate field.

### **▪ Measures taken to ensure data quality**

An assessment of the quality of the data over time is carried out regularly by the Responsible Investment team.

- **Data processing methods**

Data provided by external service providers (notably MSCI and Carbon4 Finance) or by issuers is checked by the Data Management team before being made available in the systems used by the operational teams.

- **Proportion of data that are estimated**

The data provided may be actual data or estimated data (by the issuer or the external service provider) in varying proportions and subject to change. Wherever possible, Edmond de Rothschild Asset Management (France) gives preference to actual data.

## **I. LIMITATIONS OF METHODS AND DATA**

Limitations in methodologies and data can arise from, among other things:

- Limitations of data availability,
- The need for partial use of estimated data,
- The underlying assumptions of the methodologies and the preferred analysis criteria,
- Changes in methodologies over time that may limit the comparability of data.

The internal ESG analysis methodology is designed to take into account and be able to adapt to the many changes that IR Management anticipates, particularly with regard to changes in regulations, client demands, market practices, the availability and quality of data and the adoption of the ESG approach internally. Some elements of the methodology may change, more or less significantly. The IR team also reviews the methodology annually for potential updating.

These limitations do not affect the extent to which the environmental or social characteristics promoted by the financial product are achieved.

## **J. DUE DILIGENCE**

- **Due diligence performed on the underlying assets of the financial product, including the internal and external controls related to such due diligence**

As part of the investment process and as part of a “best in universe” approach, depending on the ESG investment limits applicable to the funds concerned, the managers may apply an ESG filter to their initial investment universe using internal and/or external ratings.

In some cases, managers incorporate an ESG “SWOT” analysis for each investment case as part of the managers’ assessment of fair value risk/return.

ESG ratings are integrated into the management tool and monitored by the Risk Department on a daily basis.

## **K. COMMITMENT POLICIES**

The management company has a commitment policy available on its website:

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

#### **L. DESIGNATED BENCHMARK**

No specific benchmark has been designated to achieve the environmental or social characteristics promoted by the fund.

#### **WARNINGS:**

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