Rothschild & Co Combined General Meeting of 20 May 2021

Response of the Managing Partner to the written questions by Reclaim Finance and les Amis de la Terre

1. Strengthen your policy to exclude coal giants

In May 2020, Rothschild & Co adopted its first coal policy. If the thresholds of exclusion are quite strict and cover the entire value chain, the many gaps and uncertainties on the scope of their application could render the Politics.

Firstly, the suspension of all new investment in companies with high levels of exposed to charcoal is not automatic: it is only applied after a phase commitment, the duration of which is not determined, and if the company does not have after this engagement phase implemented a coal exit strategy, itself not specified. It is urgent that you strengthen your policy so as to exclude as quickly as possible companies in your portfolio that do not meet your exclusion thresholds.

Second, as an advisory mandate for the sale and acquisition of coal assets, your investment bank can still support companies that choose to sell their coal assets rather than shut them down. There are still more than 6,600 coal-fired power stations: the disposal of assets will in no way reduce the number of power plants and mines in operation. It is urgent that the whole group commit to the closure of coal assets.

Third, Rothschild & Co has still not clarified the terms of its commitments concerning the exit of coal. If you recognize that OECD and European countries must get out of coal by 2030 and the rest must get out by 2040, you don't have not made a commitment to have reduced your exposure to the sector to zero on those dates.

Finally, your policy lacks measures aimed at companies below your thresholds exclusion: you do not make your investments conditional on all these companies your portfolio to the adoption of an exit plan from the coal sector as did other banks such as Société Générale, BNP Paribas and Crédit Agricole. If a commitment is necessary to push companies to adopt a strategy of exit from coal, this must concern all the companies remaining in the portfolios, be defined over time and based on a specific request to adopt a plan gradual closure of assets so as not to operate in OECD / EU countries by 2030 and elsewhere by 2040. Best practices give companies until the end 2021 to adopt such an exit plan.

- ***a) Will you commit to excluding companies that do not meet your exclusion thresholds by the end of 2021?***
- ***b) Will you commit to requiring companies in your portfolio to have a plan to exit from coal 2030/2040 by the end of 2021 and to suspend all financial services to companies that fail to meet this requirement?***
- ***c) Will you commit to reducing your coal exposure to zero by 2030 for European and OECD countries and by 2040 for the rest of the world.***
- ***d) Do you commit to requiring that the exit plans of companies in your portfolio commit to closing, not divesting, coal assets? Do you commit to cease any financial services that allow the resale of assets coal assets rather than closing them?***

Answer of the Managing Partner to questions (a) to (d)

In December 2020 we adopted our Thermal Coal Investment principles. We are committed to supporting investee companies on their transition path to a low carbon economy. Engagement with the respective companies is in our view an effective way to ensure this transition is implemented in line with internationally agreed time frames (2030 for European and OECD countries - 2038 for Germany, and 2040 for the rest of the world). The policy covers both our existing and new investments. To summarise our position:

For companies in our investment portfolios:

- If a company in our portfolio is involved in development or expansion projects related to the production, exploration, mining and processing of thermal coal and the generation of electricity from this resource: a dialogue will be initiated and Rothschild & Co will divest from this company if no corrective action is undertaken.

- If a company in our portfolio exceeds thresholds for thermal coal activity implemented in our policy, analysts and investments teams with the largest exposure among the group will need to check if the company has implemented a coal exit strategy aligned with the set timetable. If available information is insufficient, a dialogue might be initiated with the company on this matter. Rothschild & Co will divest from this position if no corrective action is undertaken in line with our timetable.

For new investments or future lending activity:

- No investment or lending will be realized in companies developing new thermal coal mines, new thermal coal fired power plants or expansion plans. No investment or lending will be made in companies exceeding established policy thresholds with no consistent coal exit strategy.

- Investment teams considering investing in such companies will need to prove that a consistent coal exit strategy is in place.

The group’s investment business lines will revise the approach defined in this investment policy including thresholds and engagement periods on an annual basis. We will keep you informed of any changes we decide to implement.

In our financial advisory business, the long-term interest of our clients, their respective individual and regional circumstances, and the potential long-term impact of a transaction on environmental and societal issues are, amongst others, factors that will be considered in the rigorous client-onboarding and mandate approval process.

The financial advisory team is involved in and advises on numerous transactions with a sustainability agenda. Many transactions are directly related to the implementation of our clients’ sustainability strategies and the evolution of their business models to contribute to the transition towards a low-carbon economy. As part of this, we will carefully review the diversification strategy of any new clients active in the Thermal Coal sector.

Over the last 10 years, the group has taken a leading role in raising financing for renewable projects and making green projects investible. This is particularly the case in relation to offshore wind, which is one of the key delivery agents for decarbonising the global electricity markets and enabling a pathway to achieving net-zero.

2. Cease all support for the development of hydrocarbons

Committing to phasing out coal is not enough to cope with the climate emergency, that's for sure all the fossil fuels that need to be acted upon. The United Nations Production Gap Report specifies that oil and gas production should decrease by 4% and 3% respectively per year by 2030. Faced with this scientific reality, we must stop exploring and to open up new reserves of fossil fuels. A fortiori, we must also stop build transport and processing infrastructure that would push this upstream development of new reserves. In addition, it is urgent to plan for the long-term exit of the oil and gas. Realistic use of industrial and natural capture *technologies and storage of CO2 implies an exit from oil and gas no later than 2040 in the European and OECD countries, and by 2050 at the global level. Program the gradual and total closure of existing assets, accompanying and supporting workers and communities, prevails.*

Unfortunately, our Fossil Finance Scan reveals that the group has not adopted any oil and gas sector policy. Your group can therefore continue to provide services and financial advice that supports the expansion of the oil and gas sector, and especially in the riskiest sectors. Rothschild & Co and its management subsidiary assets must urgently make public commitments to stop their support (consulting, financial services) to companies that continue to explore and open new oil and gas reserves.

e) Do you plan to make any new commitments on oil and gas by the end of 2021?
f) Do you plan to commit to conditioning your financial services on the abandonment of new oil and gas exploration and production projects by your gas exploration and production by your clients?

3. <u>Publish an exit strategy for "unconventional" oil and gas</u>

Urgent action is needed on all unconventional oil and gas sub-sectors, which concentrate all of the ESG risks (associated with serious violations of humans and serious impacts on health, the environment and biodiversity), coupled with high financial and economic risks. Moreover, the majority of the expected growth of hydrocarbons in the world in the years to come will come from these sectors: then that we have little time left to act in depth and limit the warming to 1.5 ° C, these sectors represent as much a threat as an opportunity for effective action.

This climatic, social and environmental requirement meets a political request. In October 2020, Bruno Le Maire called on the actors of the Place de Paris to acquire exit strategies for unconventional oil and gas. To leave it supposes in priority of cease all financial services that would go to the development of these sectors: oil and gas shale, tar sands and heavy oil, drilling in the Arctic and in very deep, from extraction to transport, export, processing or storage.

Unfortunately, our Fossil Finance Scan reveals that the Rothschild Group did not adopted no sectoral policy to reduce its support for these very risky sectors. Worse, according to our report La Place Financière de Paris at the bottom of the well, in 2020, the bank was among the 6 French investors to invest the most in the sector with 441 million dollars of investment in the 75 companies that foresee the strongest growth in their production of shale oil and gas by 2050. The bank bought millions of shares in these companies between January 2020 and March 2020. And contrary to what you said, 40% of these investments are in companies with more than 50% of their fossil fuel reserves in gas and oil of shale.

In a few months, the COP 26 will be held, the most important climate summit since COP21, which must rectify the situation and accelerate the global response to the climate crisis. Rothschild & Co must arrive at this great international meeting with the first ambitious commitments on fossil fuels, starting with non-oil and gas conventional.

Will you publish an exit strategy for unconventional oil and gas by end of 2021? Specifically:
g) Will you commit to publishing such a strategy for all unconventional sectors, i.e. shale oil and gas, tar sands, Arctic drilling, or ultra-deep-water drilling?
h) Will you commit to ensuring that this policy covers "expansionist" companies that develop new projects in unconventional oil and gas?
i) For example, will you make your support conditional on your clients stopping the development of new projects in the exploration, exploitation, transportation, storage and processing of shale oil and gas, oil sands, Arctic drilling and ultra-deep-water drilling?
j) Will you commit to a clear timetable for withdrawal from these sectors, ensuring a complete exit by 2030?

Answer of the Managing Partner to questions (e) to (j)

The group has a limited investment exposure to the oil and gas industry (incl. a very limited exposure to "non-conventional oil and gas" activities, which represented less than 1% of assets under management as at 31 December 2020). We invest primarily in major diversified players, and we engage with them on their strategy to contribute to the transition to a low-carbon economy. When investing in a company active in the O&G industry, our investment teams will consider their development strategy and evolution of their business model, including sector specific risks, as part of the general risk/opportunity assessment of the company. We will ensure to keep you informed you should we plan to publish any sector-specific policies in the future.

4. Vote against Total's climate plan

As an investor in Total, the Rothschild group plays an important role in directions taken by the oil and gas major. Last year you supported the first climate resolution filed in France. This year you have a new an opportunity to call on Total to review its group climate strategy in the light of the imperatives climatic. This time, by positioning yourself against the climate strategy submitted by the company to shareholders, on the principle of "Say on Climate". We call on you to vote against Total's "climate" strategy because as it stands, it is neither credible or compatible with the objective of limiting global warming to 1.5 ° C, which calls for a rapid reduction in the use of oil and gas:

- *Total has no plans to reduce its fossil fuel production capacity, but on the contrary, to increase its gas production by 30% by 2030, while maintaining or decreasing very slightly that of oil.*
- *By planning to devote around 80% of its capital expenditure to oil and gas in 2030, Total fails to align its capex with a 1.5 trajectory ° C.*
- *Not only are many Total projects incompatible with the budget carbon available in a 1.5 ° C or "well below 2 ° C" scenario, but they raise also for some of the very serious risks for biodiversity, human rights: this is the case of the EACOP mega-pipeline (which you already refuse to support) associated with the opening of Tilenga oil wells in the Great Lakes region, or the five Arctic drilling projects.*

Last year, you already recognized that Total's strategy was insufficient to align the company on a sustainable climate trajectory. This year, the shortcomings structural elements of its strategy persist and the absence of a quantified target for reducing its scope 3 emissions and indications as to the share of offsets, CCS and NBS in its objectives is a source of risk for you and other investors. This year, voting against the climate strategy presented to you by Total is the only way responsible for encouraging the company to revise its climate targets upwards. Total has, moreover, publicly recognized it and does not intend to consult its shareholders in such a way annual report on its climate strategy, with total presence in several oil and unconventional gas, you would also be in a position to respond favorably to the appeal of Bruno Le Maire. Conversely, a vote of support for the strategy of Total would illustrate the lack of sincerity of your climate commitments.

(k) Do you intend to vote against Total's climate strategy, which will be put to a vote by shareholders ahead of the 2021 Annual General Meeting?

Answer of the Managing Partner to question (k)

Voting is taken up at by the business at entity level in line with their investment philosophy. Each relevant entity will make its decision on Total's climate strategy in time for the company's general meeting.