



Exclusion policy relating to tobacco

2024

Rothschild & Co Asset Management has established a formal exclusion policy towards companies whose activities are linked to the tobacco industry.

Tobacco has a major impact on biodiversity, the environment and public health. Indeed, according to the World Health Organization (WHO), tobacco cultivation is responsible for 5% of global deforestation, and leads to soil and water pollution through the use of fertilizers and pesticides. Tobacco production and consumption contribute to climate change, releasing 80 million tons of CO₂ per year. In terms of public health, smoking has a harmful impact, killing eight million people worldwide every year, still according to the WHO.

This exclusion policy is part of a comprehensive responsible investment framework for Asset Management activities and is:

- Aligned with our approach to ESG criteria integration among our investment strategies;
- Representative of our desire to contribute to the transition towards a more sustainable economy.

This exclusion policy applies to our various Asset Management investment activities. It also covers managed accounts and dedicated funds, but it does not apply to index-linked structured products. Some issuers held may be subject to exceptions, in the event that the management company is required to comply with the constraints or choices expressed by the client on his dedicated vehicle, which may conflict with these principles. This policy does not apply to index-based structured products.

Definition of thresholds and applicable scope:

This exclusion policy applies to companies whose activities related to tobacco and tobacco-related products, such as e-cigarettes, account for more than 5% of their sales. In particular, the activities concerned are:

- Producers;
- Suppliers;
- Licensors.

Tobacco retailing and distribution activities are not covered by this policy.

Compliance with these principles is based on information from our extra-financial data provider MSCI ESG Research. The list of issuers concerned is updated quarterly.

This exclusion policy is implemented according to the following rules:

Direct management of listed and non-listed assets

- No investment can be made, and no lending provided to companies involved in the production of tobacco (blocking in place at the entity level).
- For existing investments, we will divest from these companies within 1 month for products classified as Article 9 under SFDR regulation, and 3 months for others.
- Bonds issued by companies active in the tobacco sector in which we were invested at the time this exclusion policy came into force (June 30, 2023), may be held until maturity, or until recall in the case of perpetual bonds.

Indirect management, listed and non-listed funds of funds

When we do not invest directly in individual companies but rather in funds or funds of funds, the implementation of these principles is more complex. Therefore:

- We include into our fund selection process the analysis of the tobacco policy implemented by fund managers;
- We have defined, at the level of listed funds of funds, a very residual threshold of 1% maximum of real exposure to tobacco companies in products whose composition is linked to indices, and/or in underlying actively managed funds that do not apply a tobacco exclusion policy.

Only illiquid funds (such as private equity funds) and those linked to commodities, as defined in the Rothschild & Co Asset Management buy list or by the Private Assets activity, are excluded from this framework for technical reasons (lack of data transparency, concentration of the universe, composition of indices, etc.). These funds continue to be subject to engagement to set up a policy or to discuss their possible exposure. Since 2022, the Private Assets activity has raised its requirements regarding exposure to tobacco companies in its funds selection, systematically verifying with its stakeholders the existence and implementation of an exclusion policy, or where appropriate through the signing of a cover letter when possible. In all cases, we always make our best efforts to find the alternative that best respects our investment principles regarding tobacco.

In delegated management

For direct investment, our exclusion policy applies to the delegated management company by delegation for the part of the portfolio that is delegated to it.

For delegates investing in mutual funds, the latter (with the exception of certain strategies for the technical reasons explained above) must apply the tobacco exclusion policy defined by the delegates.

This exclusion policy relating to tobacco is published on the website of the management company Rothschild & Co Asset Management. It is updated annually.


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About the Asset Management's division of Rothschild & Co

As the specialised asset management division of the Rothschild & Co group, we offer personalised asset management services to a broad client base of institutional investors, financial intermediaries and distributors. Our development is focused on a range of open-ended funds, marketed under four strong brands: Conviction, Valor, Thematic and 4Change, and leveraging our long-term expertise in active management with conviction as well as in delegated management. More information at: www.am.eu.rothschildandco.com



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