



The Responsible Investment approach of Rothschild & Co Asset Management Europe



To close this week of Responsible finance, Rothschild & Co Asset Management Europe looks back on these commitments and its approach to integrating environmental, social and governance criteria into its various management expertises. Didier Bouvignies, General Partner and CIO, and Géraldine Gouges, Group Head of Responsible Investment look back at the various stages of the construction of our responsible investment process, which began almost 10 years ago.

Tell us about Rothschild & Co Asset Management Europe's ESG journey?

Our journey started in 2011, when we became signatory to the United Nations Principles for Responsible Investment (UN PRI). In implementing these principles, signatories aim at contributing to developing a more sustainable global financial system.

Since then, we have continuously strengthened our responsible investment approach.

We have extended the range of ESG tools at our disposal first with the implementation of a voting policy that promotes the Principles of Responsible Investment in 2011.

Then, we developed our first portfolio rating tool based on extra-financial criteria the following year, that allows us to provide ratings to securities and portfolios based on ESG criteria. We have been measuring the carbon intensity of our portfolios since 2015. In 2018, a Responsible Investing Team was created to accelerate the ESG integration process into our strategies and product launches. Secondly our responsible investing approach has strengthened in terms of asset classes we cover: equities, bonds, convertible bonds, traditional multi management funds and, even, structured products; they are all integrated within our responsible investment framework. At the end of 2019, around 80% of our Assets under Management were covered by an ESG process. Over the last years, we have managed dedicated funds and mandates complying with high ESG standards. In 2019, we have launched the

R-co 4Change funds range to address specific sustainability challenges and start integrating Impact considerations in our investment process.

The SRI-labelled 4Change Climate range (comprising a European equity fund and a IG credit fund) places CO₂ emission reduction objectives at the heart of its stock selection, we have strengthened the ESG selection process for the R-co 4Change Human Values fund, which is now also SRI-labelled. Created several years ago, it pays particular attention to social (and societal) issues. We have decided to develop this product into a share fund. More recently, we launched a green bonds fund. This market, which has become more mature, allows us to rediscover some of the traditional performance drivers of our bond expertise. We are also working on transformation projects and new fund launches covering all of our management expertise (direct and multi-asset management).

How would you define your ESG integration philosophy?

Our approach is based on two complementary pillars: The integration of ESG issues into analysis to strengthen our conviction management. The first is an integral part of our investment decisions and is at the service of our conviction management and allows us to complete our reading grid through the integration of non-financial elements.



The second one allows us to have an impact on the enterprises and asset management companies in our investable universe, we have different levers to activate: An active dialogue with companies and investment managers through on-to-one meetings, dedicated ESG questionnaires, one-off communication to raise awareness on a specific topic; a SRI voting policy integrated in the Equity management, and our participation in collaborative engagement initiatives like Climate Action 100+ aiming at ensuring that the world's largest corporate greenhouse gas emitters take necessary action on climate change.

What are your main challenges regarding ESG?

There are three:

- The intensification of ESG regulatory constraints with the acceleration of the European Sustainable Investing Plan requiring more disclosure and detailed integration procedures. They aim at making ESG more and more mainstream and we must follow the rhythm while doing our best to maintain our own ESG identity.
- The acceleration of our clients on ESG/ Impact themes. Some institutional clients are transitioning very quickly towards a 100% ESG integration and we have to be ready to support their ambition and protect our AuM.
- The ongoing ESG products innovation race is becoming very intense. Beyond basic ESG standards and themes, investors are looking for differentiating ESG features in their investment products, which requires resource mobilization, competitive intelligence and exclusive partnerships.

In a few words, what are your strengths to address these challenges?

- Our reactivity: We have been able to adapt quickly our organization and investment process to align with ESG standards. We have reached a high level of ESG integration and we have launched a dedicated funds range with SRI certified products. Our Climate strategies were among the first French Funds including the monitoring of the carbon intensity and they helped to establish benchmarks / standards among the market.
- Our ability to propose customized solutions: While we cannot compete against large asset managers demonstrating billions of AuM integrating ESG criteria – we are very good in proposing tailored made ESG investment solutions that meet both financial and ESG expectations. We have recently won RFPs against major ESG players thanks to our flexibility.
- Our ability to investigate deeply ESG issues from a financial and extra-financial perspective.

For us, the ESG is a sum of concepts that go far beyond the simple vision of a list of management constraints and indicators to be monitored. It is an investment philosophy, and an ability to project oneself into a long-term vision, working on the trajectories of companies at 3-5 years to make them virtuous, by engaging in discussions with top management. We are therefore ready to take up these challenges. ■

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