



EDMOND
DE ROTHSCHILD

2016

OUR CONTRIBUTION TO
TACKLING CLIMATE CHANGE



CONTRIBUTION OF EDMOND DE ROTHSCHILD ASSET MANAGEMENT TO TACKLING CLIMATE CHANGE

This document outlines the first reflections of Edmond de Rothschild Asset Management regarding the climate issue, which is having an impact on the investment world.



“It is our responsibility to find investment solutions which strike a balance of positive financial and environmental impacts in order to contribute to developing a sustainable global economy: the New World Economy.”*

Philippe Uzan
CIO of Edmond de Rothschild Asset Management

Member of:



Signatory of:



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* Reference to the report « The New World Economy » made by the Working Group chaired by Corinne Lepage and presenting 100 measures to « unblock » the green economy (published on June 2015 and commissioned by the French Ministry of Ecology, Sustainable Development and Energy).

STRATEGY OF EDMOND DE ROTHSCHILD ASSET MANAGEMENT TO ADDRESS CLIMATE CHANGE

Following the Paris Agreement on climate change and the 2015 launch of the United Nations 2030 Agenda for Sustainable Development Goals, the financial sector has been called upon to be the catalyst of an economic approach which is compatible with the targets set by the international community. In France, article 173 from Law 2015-992 dated 17/08/2015, related to the Energy Transition for Green Growth Act translates this request into real obligations for institutional investors and asset management companies.

THE TARGET FOR A 2°C WORLD: A COLLECTIVE JOURNEY

In this context, Edmond de Rothschild Asset Management is defining the investment strategy that will enable it to align with the '2 degrees' scenario, based on our current practices, our internal reflections and our discussions with our clients and other stakeholders. Our commitment is clear: focus our investments in support of a sustainable economy, which will reconcile financial performance and environmental and social balances.

The goal is to outline a '2 degrees' path which will allow us to move forwards, together, in the right direction and which raises the right questions to allow us to find and implement collective answers.

EDMOND DE ROTHSCHILD ASSET MANAGEMENT'S CLIMATE REFLECTIONS ARE EMBEDDED IN THE GENERAL FRAMEWORK OF:

- The Responsible Investment Policy of Edmond de Rothschild Asset Management
www.edmond-de-rothschild.fr/Fr/edram/Pages/strategie-isr.aspx
- The Environmental Policy of Edmond de Rothschild group
For more information, see the Group sustainability report: <http://sustainability.edmond-de-rothschild.com>

OUR CONVICTIONS CONCERNING CLIMATE CHANGE

Edmond de Rothschild Asset Management is convinced that:

Climate change presents a future systemic risk for environmental, social and financial balance and stability, which is liable to have an impact on the assets with which our clients entrust us and which presents risks as well as opportunities.

The impacts of climate change must be taken into account within the framework of our fiduciary responsibility* and our regulatory and normative obligations, insofar as they are related to the long-term safeguarding of our funds' return and to the optimal consideration of the long-term interests of investors.

An approach based on risk identification (such as coal today) must be preceded by and/or completed by an approach consisting of dialogue and engagement with companies on climate risk and an investment approach in favour of the energy transition for green growth.

* In October 2016, Edmond de Rothschild Asset Management signed the "Global statement on investor obligations and fiduciary duties" of the UNEP-FI, PRI and The Generation Foundation: www.fiduciaryduty21.org/investor-statement.html

OUR POSITION REGARDING CARBON RISKS

Edmond de Rothschild Asset Management is strongly committed to accompany its institutional clients so that they can better address this emerging risk and thus meet their fiduciary responsibility and their own commitments. We also want to give them access to investment opportunities that have a positive impact on the energy transition for green growth.

A RESPONSIBLE AND PRUDENT APPROACH

- › **Identify and manage risks**, assessing the impacts of our investment decisions at the outset.
- › **Reconcile financial performance, fiduciary responsibility and climate change solutions**, avoiding knee-jerk reactions that could precipitate abrupt changes with negative short-term economic and social impacts. Understanding the extent to which risks have been integrated into the price of a security is an essential step to facilitate investment decisions.

Measurement of the carbon footprint of portfolios, Identification of securities/sectors at risk, individual and collective engagement.*

A PROACTIVE AND POSITIVE CONTRIBUTION TO TACKLE CLIMATE CHANGE

- › **Identify and seize the opportunities in promising markets reconciling growth and sustainable development**, while exercising caution on markets which are not yet fully mature in terms of volumes, financial and ESG (Environmental, Social and Governance) performance and which have shown weakness in the past.

Assets and funds integrating the energy transition for green growth theme, green infrastructure, sustainable real estate, etc.

OUR INITIAL COMMITMENTS TO ADDRESS CLIMATE CHANGE

A KEY STEP: SIGNING THE MONTREAL CARBON PLEDGE

In September 2015, Edmond de Rothschild Asset Management (France) signed the Montreal Carbon Pledge**, thus committing to progressively measure and publish annually the carbon footprint of its investments (see page 6-7).

A CLIMATE POLICY IN THE PROCESS OF BEING DEFINED IN COOPERATION WITH OUR STAKEHOLDERS

In the context of Edmond de Rothschild Asset Management's 2017-2020 Responsible Investment Strategy, our Climate commitments will be translated into a roadmap in line with our convictions and positions on the management of carbon-related issues. The four pillars of this roadmap will set out a detailed action plan which we are sharing with our stakeholders in order to receive their feedback and thus improve its content. The results will be published annually, both globally and at portfolio level.

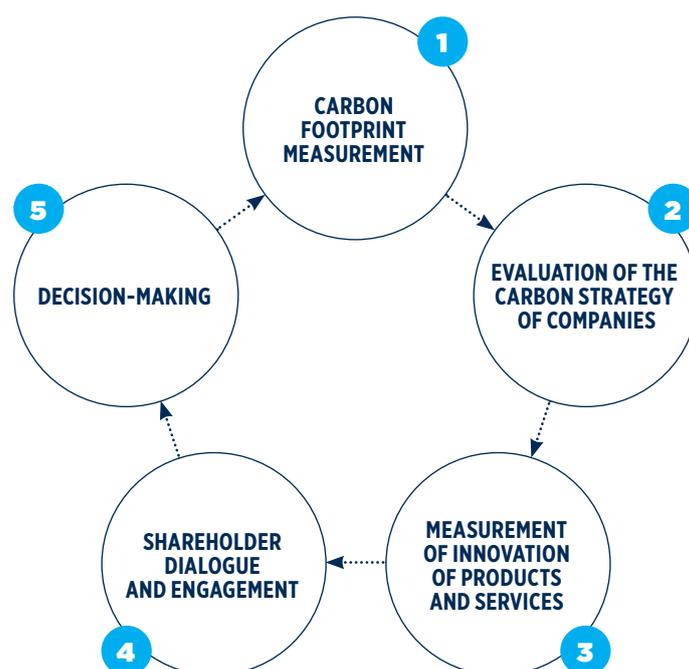


* At the end of 2015, a carbon footprint had been carried out on the France/Euro Zone/Europe equity portfolios (i.e. around 60% of equity assets under management). For more information, see: <http://www.edmond-de-rothschild.com/SiteCollectionDocuments/asset-management/isr/EDRAM-FR-EN-empreinte-carbonecarbon-footprint.pdf>

** Edmond de Rothschild Asset Management (France) has also been a signatory of the United Nations' Principles for Responsible Investment (PRI) since 2010.

OUR HOLISTIC APPROACH TO PORTFOLIO MANAGEMENT

Our comprehensive carbon risk analysis approach is progressively being integrated into the ESG scoring process applied to our responsible investment strategies, thus reflecting the interconnections between carbon risk and environmental, social and governance dimensions. This data can also be accessed by all traditional fund management teams.



- 1** Proprietary data on scopes 1 and 2
Investee companies encouraged to extend their data to scope 3 and emissions avoided
Publication of the carbon footprints of our investment strategies

- 2** Business model & climate change
Carbon strategy governance
Ability to identify and manage material carbon risks and opportunities
Definition of a “2 degree” roadmap

- 3** Ability to innovate in favour of the energy transition (quantitative proprietary indicator)
Weighting per sector according to the importance of the carbon issue
Identification of “winning/losing” companies in a “2 degree” world

- 4** Transparency and quality of reporting
Integration of the carbon issue into the ESG dialogue
Numerous individual meetings with companies
Participation in investor coalitions

- 5** Integration of carbon and financial analyses
Potential impact on financial statements
Evaluation of the specific carbon approach to apply
Impact on investment decision

Scopes 1, 2 and 3 are defined as follows:

- › Scope 1: Direct emissions, produced by fixed or mobile sources, which are necessary for the legal entity's activities
- › Scope 2: Indirect emissions from the consumption of electricity, heat or steam which are necessary for the legal entity's activities
- › Scope 3: Other emissions indirectly produced by the legal entity's activities (upstream, downstream).

Carbon Footprint measured in CO2 eq. tons/M euros invested in investment strategies of Edmond de Rothschild Asset Management (France) at 31.12.2016

Funds	Benchmark	
Edmond de Rothschild Euro Sustainable Growth	137	300
Edmond de Rothschild Euro Leaders	56	300
Edmond de Rothschild Tricolore	74	427
Edmond de Rothschild Tricolore Rendement	208	427
EdR Fund* Europe Value & Yield	114	217
EdR Fund Europe Synergy	74	217
EdR Fund Selective Europe	110	217
EdR Fund UK Synergy	112	160
EdR Fund US Value & Yield	324	161
Edmond de Rothschild US Growth	5	161
EdR Fund Global Value	546	176
EdR Fund Global Data	21	176
EdR Fund Global Healthcare	5	15
EdR Fund Premiumsphere	35	176
Edmond de Rothschild Geosphere	483	556
EdR Fund Infrasphere	812	-

Our carbon measurement is based on data provided by the companies and are updated annually (e.g. annual reports, CDP) or measured by third-party data providers (Bloomberg).

Coverage by company data (without estimates) ranges from 60% for international equities, 80% for US equities and more than 96% for European equities.

* EdR Funds SICAV: subfunds of the Luxembourg regulated SICAV which is approved by the CSSF. Main SICAV asset manager: Edmond de Rothschild Asset Management (Luxembourg). Edmond de Rothschild Asset Management (France) will act as subadvisor for the management of the subfund.

EXAMPLES OF THE PROPRIETARY 'GREEN IMPACT' INDICATOR OF EDMOND DE ROTHSCHILD ASSET MANAGEMENT

Measurement of the green impact of products / services of portfolio companies

	SRI strategy for listed equities	Benchmark	Examples	
Overall 'green impact' rating	13.5*	12.0		
Service to local authorities	20.0	15.0	Terna	Development of three energy storage systems in Italy in order to adjust the Italian electricity network to the increased contribution from renewable energies.
Automotive	15.2	12.1	Michelin	Energy Saver green tyre to reduce fuel consumption by 0.2l/100 km, representing a saving of 4 g of CO ₂ /km. Active Wheel innovation: electric engine built into the wheels.
Capital goods	15.0	12.0	Schneider Electric Siemens	Target 2017: 75% of turnover on Green Premium products and 120,000 tonnes of CO₂ avoided in 2017 thanks to maintenance, retrofitting and end-of-life services. Work on energy storage; design of the biggest PV plant in Europe (350 Gwh). 33 billion (i.e. 46% of turnover) generated in 2014 by the "environment" portfolio (428 million tonnes of CO ₂ avoided by clients).
Materials	13.9	11.8	DSM	45% of sales via ECO+ solutions products (43% in 2012). R&D: roughly 95% of products are focused on ECO+ solutions. For example, the creation of a product which reduces methane emissions from cattle herds.
Insurance	14.3	9.5	Munich RE	Leader in research in Climate Change (CC) , 4 billion invested in renewable energies, product offer adjusted to CC or incentive products.

* Score out of 20 – Source: internal rating by Edmond de Rothschild Asset Management (France).

Our benchmark is based on an analysis of the securities in the reference index for each investment strategy concerned.

Disclaimer: The information about the companies cannot be assimilated to an opinion of Edmond de Rothschild Asset Management (France) on the expected evolution of the securities and on the foreseeable evolution of the price of the financial instruments they issue. This information cannot be interpreted as a recommendation to buy or sell such securities.

Analysis of the green impact of companies (ability to innovate)

Example: Faurecia

LIFE CYCLE ASSESSMENT (LCA)



Systematic assessment of the environmental impact of innovations. 300 engineers dedicated to the development of LCA tools.

Studies and testing of products recyclability.



GREEN INNOVATION



Leading Selective Catalytic Reduction Systems (SCR) to reduce nitrogen oxides (NOX) in diesel engines. Faurecia has developed a new solid SCR technology effective from 30 ° C. 6000 engineers and technicians dedicated to R & D. 30 research centers. 4.89% of turnover. 489 patents filed in 2015.



REDUCING PRODUCTS' IMPACT



Mass reductions of 20 to 30% in the current developments of new products.

Strategic partnership with Mitsubishi Chemicals for the development of bio-sourced resins.



CIRCULAR ECONOMY



In 2015, 9% of all plastics purchased by the Group are recycled plastics. Metal waste, 26% of the Group's total waste tonnage, are sold almost entirely on the market.



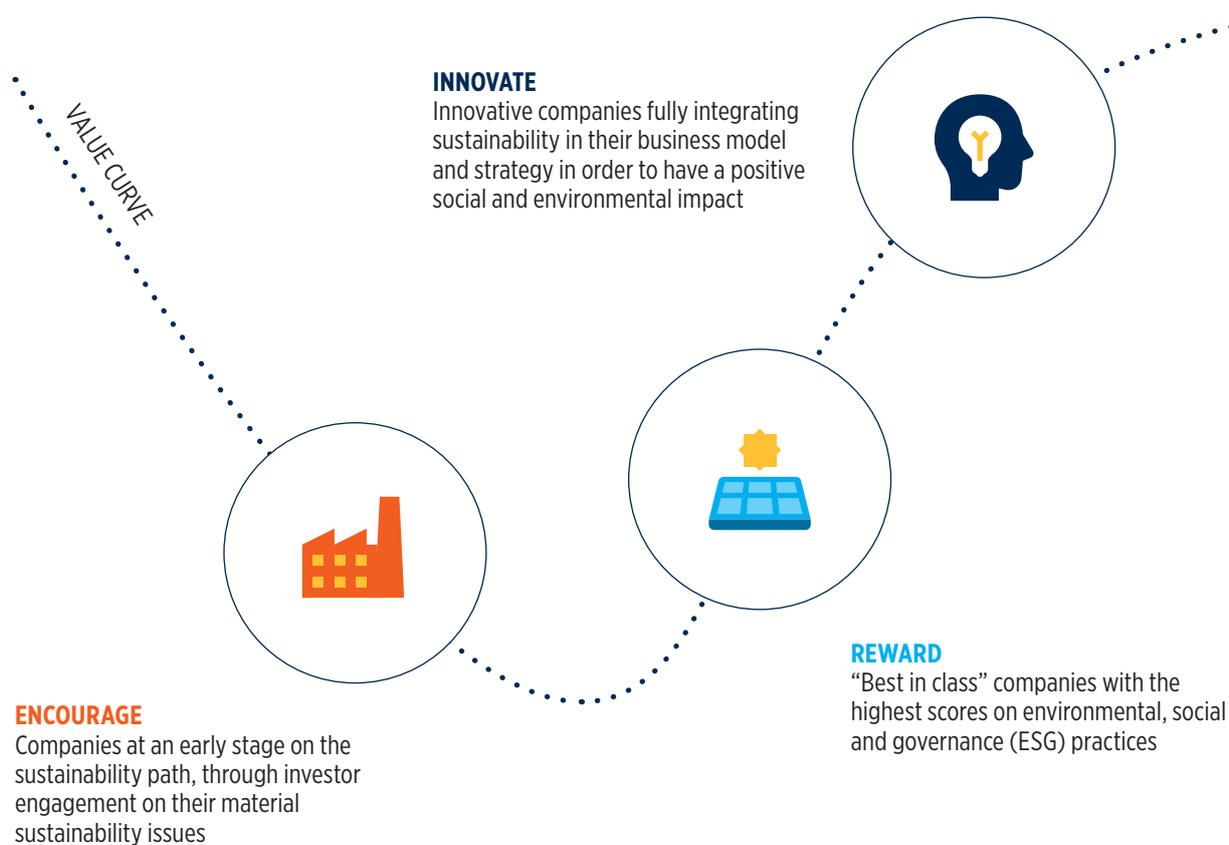
Source: internal rating by Edmond de Rothschild Asset Management (France).

We evaluate the overall performance of a company relative to its sector. This qualitative rating is done through an internal analysis. We then give a quantitative form to this rating in order to systematically evaluate this dimension in our ESG scoring process.

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EDMOND DE ROTHSCHILD ASSET MANAGEMENT'S INVESTMENT STRATEGIES CONTRIBUTING TO THE ENERGY TRANSITION FOR GREEN GROWTH

Edmond de Rothschild Asset Management intends to contribute to the transition to a sustainable economy by supporting three categories of companies:



Several of the Edmond de Rothschild Asset Management's responsible investment strategies, available in open funds and/or mandates, directly and positively contribute to climate change solutions and to some of the United Nations' Sustainable Development Goals (SDG)*.

* For more information on the United Nations' Sustainable Development Goals, see: <http://www.un.org/sustainabledevelopment/fr/objectifs-de-developpement-durable>

EXAMPLES OF EDMOND DE ROTHSCHILD ASSET MANAGEMENT'S RESPONSIBLE INVESTMENT STRATEGIES

BEST-IN-CLASS/BEST-IN-UNIVERSE EQUITY SRI STRATEGY which focuses on growth opportunities, including in areas such as energy efficiency, renewable energies and digitalisation of the economy.

SRI CREDIT STRATEGY which applies a best-in-universe SRI approach to securities that are mostly Investment Grade, with a pocket of diversification in High Yield*.

INFRASTRUCTURE DEBT STRATEGY - SDG 9 11 17 in which 25% of investments in our first portfolio were allocated to renewable energy projects, such as offshore wind turbines or energy facilities using biomass.

STRATEGY OF DIRECT INVESTMENT IN SWISS REAL ESTATE - SDG 9 11 which integrates the ESG dimension at all levels and throughout the life of the building.

LOW-CARBON GLOBAL STRATEGY which identifies securities contributing significantly to the energy transition and to the digitalisation of the economy**.

DEVELOPMENT OF “LOW-CARBON” MANAGEMENT EXPERTISE IS ALREADY REAPING REWARDS

AmLeague makes its secure IT platform available to asset managers who want to prove their capacity to create alpha, in a standardised framework created by institutional investors. After nine months of virtual competition, in October 2016 Edmond de Rothschild Asset Management was selected for its ability to reconcile good performance and low carbon management (see: <http://www.am-league.com/en/rankings>).

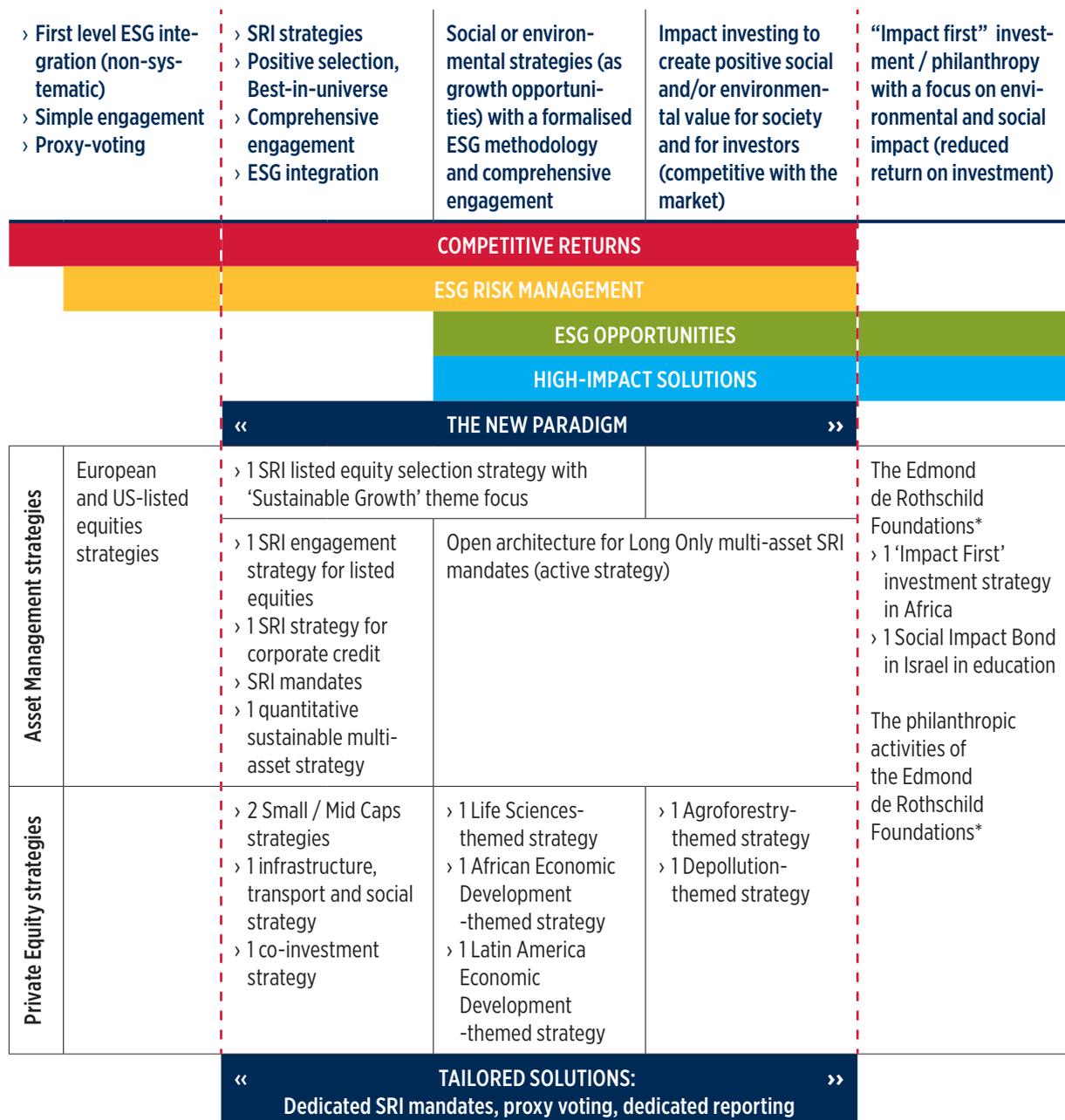
The low-carbon global strategy that was first launched virtually on the AmLeague platform invests in stocks that will respond to the economic realities of tomorrow's world, including by reducing carbon emissions. Many of our preferred stocks are in sectors related to the energy transition or the digitalisation of the economy, with companies such as Alphabet, Ecolab or Suez Environnement.

* Speculative securities for which there is a higher risk of default by the issuer.

** See <http://www.am-league.com/en/rankings>.

AN APPROACH IN LINE WITH THE EDMOND DE ROTHSCHILD GROUP CONVICTIONS AND COMMITMENTS IN TERMS OF RESPONSIBLE INVESTMENT

Overview of the Edmond de Rothschild group sustainable and responsible investment offering



* The Edmond de Rothschild Foundations are a network of 10 private foundations of the Rothschild family. They are entirely separate and independent from the Edmond de Rothschild Group.

The dotted lines in this diagram indicate the threshold that defines which assets under management we count in our Sustainable Investment category. We only count assets under management covered by strategies that apply a formalised, structured and traceable ESG or SRI methodology with comprehensive engagement.

RESPONSIBLE INVESTMENT IN EDMOND DE ROTHSCHILD PRIVATE EQUITY ACTIVITIES

Edmond de Rothschild Private Equity is signatory of the United Nations' Principles for Responsible Investment (PRI) since 2015 and is committed to converting all its investment strategies to the best ESG practices by 2020.

There are two main aspects to sustainable investment as Edmond de Rothschild Private Equity applies them to its activities:

MAINSTREAM PRIVATE EQUITY STRATEGIES with or without a thematic focus (for example life sciences, economic development in Africa) that integrate environmental, social and governance criteria into financial analysis, investment decision-making, contractual agreements and portfolio monitoring.

THEMATIC 'IMPACT INVESTING' STRATEGIES, which are of interest to a growing number of institutional investors, including Development Finance Institutions, family offices and private clients seeking a measurable positive social and/or environmental impact alongside market-rate risk-adjusted returns.

IMPACT INVESTMENT STRATEGIES OF EDMOND DE ROTHSCHILD PRIVATE EQUITY



IMPACT STRATEGY ON AGROFORESTRY SDG 2 13 15 17

which invests in Africa and South America in projects combining farm crops and forestry production, in partnership with local smallholders. A single project should make it possible to reduce CO₂ emissions and combat poverty, through enhancing traditional production methods to the benefit of local populations.



IMPACT STRATEGY ON SOIL REMEDIATION - SDG 11 17

which consists in acquiring, cleaning up and developing polluted land in former industrial sites in Europe, thus benefiting all project stakeholders. Thanks to this strategy, areas hit by the economic crisis and pollution can be rehabilitated, with the creation of direct jobs, new housing, offices, car parks and childcare facilities, all constructed as low-energy buildings.

Written on 31/12/2016. This document is non-binding and its content is exclusively for information purpose.

Photographs: ONFI, RM

Disclaimer: The data, comments and analysis in this document reflect the opinion of Edmond de Rothschild Asset Management (France) and its affiliates with respect to the markets, their trends, regulation and tax issues, on the basis of its own expertise, economic analysis and information currently known to it. However, they shall not under any circumstances be construed as comprising any sort of undertaking or guarantee whatsoever on the part of Edmond de Rothschild Asset Management (France).

Any investment involves specific risks. All potential investors must take prior measures and specialist advice in order to analyse the risks and establish his or her own opinion independent of Edmond de Rothschild Asset Management (France) in order to determine the relevance of such an investment to his or her own financial situation.

EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)

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Société anonyme governed by an executive board and a supervisory board with capital of 11.033.769 euros - AMF Registration number GP 04000015 - 332.652.536 R.C.S. Paris



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