



EDMOND  
DE ROTHSCHILD

2019

# SUSTAINABILITY REPORT PRIVATE EQUITY







# MESSAGE FROM BENJAMIN AND ARIANE DE ROTHSCHILD

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It is currently difficult to assess the full measure of all the human, economic and social consequences of the crisis we are living through. However, one thing is certain: resilience is now recognised as a key factor in the sustainability of any business.

The rapid changes we have all made in response to the Covid-19 epidemic have pushed us one step further along in our necessary ability to implement strategic decisions within a limited time frame without setting aside clear longer-term ambitions. Our goal in this is to be sufficiently strong and flexible to cushion shocks while maintaining our desired long-term trajectory: for us, this is the very definition of resilience.

In its 250-year history, our family has gone through many crises and revolutions, as well as periods of recovery. In every case, our ability to remain focused on the future has helped us emerge stronger. There is no reason why this crisis should be any different. We have collectively become aware of certain excesses inherent in our current lifestyles: some say we are too interdependent, while others feel we lack cohesion. In our opinion, the key lesson is very clear: untrammelled growth with no regard for externalities is no longer an option. The focus is shifting firmly to the long-term and humanity is being put back at the heart of business models: sustainable development is becoming the new standard.

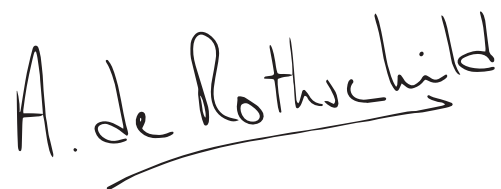
We apply these principles to everything we do, whether finance, lifestyle businesses, philanthropy or even offshore sailing races. We incentivise innovation, value multiculturalism, refuse to engage in speculation and have one goal in mind: to have an impact on the world of tomorrow. To this end, we are constantly working to stay connected to the real economy: in finance, we apply a scalable approach to our investment solutions to ensure they are sustainable and profitable both for us and for our clients.

In 2019, we were able to confirm our positioning by taking a decisive step to strengthen our independence, thus ensuring that we are free to fully express our convictions. By making Edmond de Rothschild a 100% family-owned group, we have reiterated our commitment to our clients and employees and are now free to sharpen our focus on delivering long-term impact.

Our simple, unified structure boosts our ability to innovate and stay creative, enabling us to develop sustainable solutions that create social and environmental value. For example, we are continuing to consolidate our range of real assets: we now have a substantial real estate division, a private equity platform offering a range of niche strategies for entrepreneurs, and recognised expertise in infrastructure debt. Through these solutions, we are putting finance back into the service of industry.

The primacy of ethics, values and principles in our ecosystem is what differentiates us, giving our brands the essential tools for long-term success. The importance of resilience allows us to deal with challenges in the present while understanding how to build a better future.

Benjamin and Ariane de Rothschild

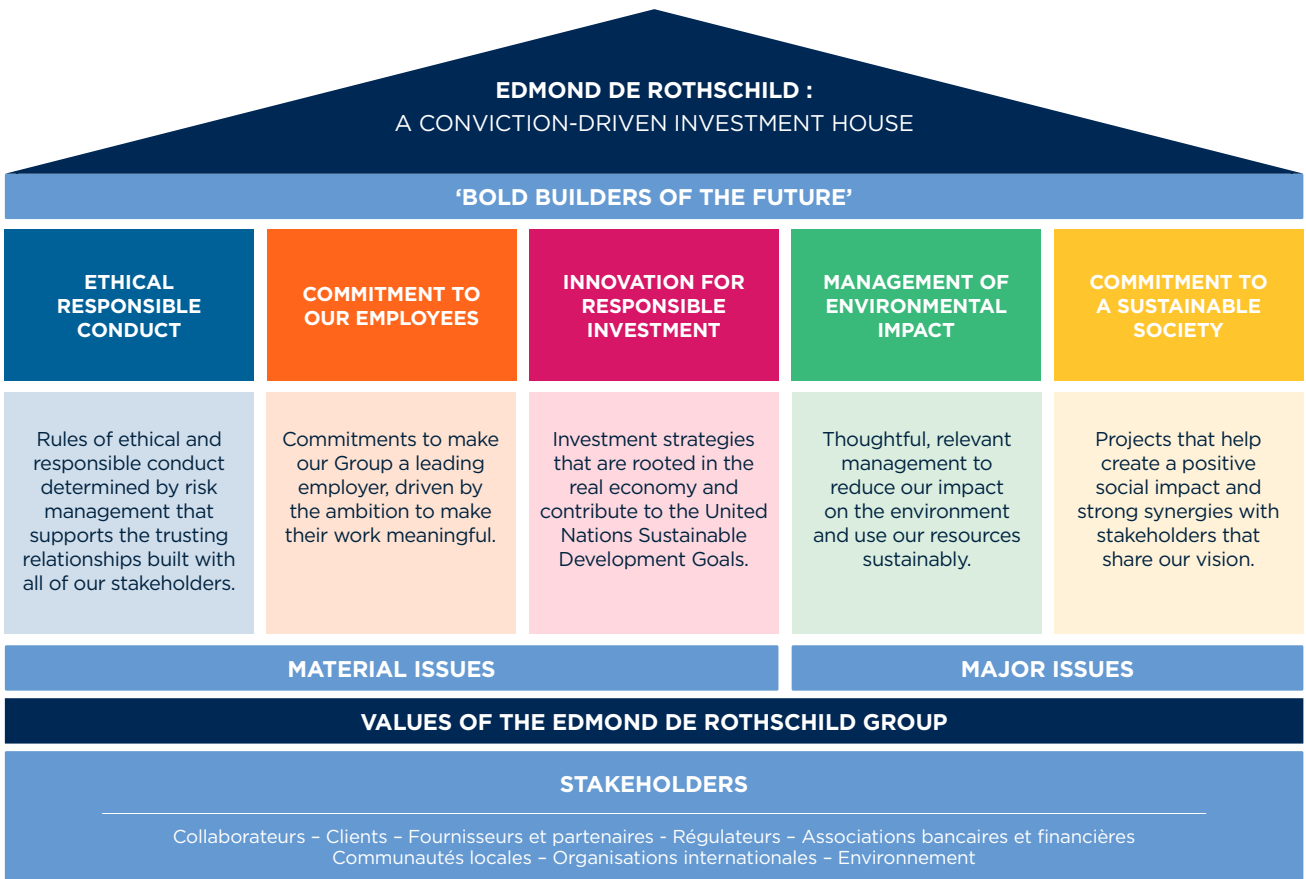


# OUR APPROACH TO SUSTAINABLE DEVELOPMENT

At Edmond de Rothschild Private Equity, we have never chosen the easy path. As much financial players as entrepreneurs, our teams devise and support distinctive, innovative and forward-looking investment theses designed to meet today’s challenges and better address those of tomorrow.

With a long-term approach that protects us from fads and hasty decisions, our strategies are driven by strong investment convictions: allowing industry to harness financial resources to build the world of tomorrow while balancing innovation and financial performance and generating a positive impact for society and the environment.

## The five pillars of our sustainable development strategy



# OVERVIEW OF EXPERTISE EDMOND DE ROTHSCHILD PRIVATE EQUITY

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2.6 billion CHF  
OF ASSET UNDER  
MANAGEMENT

The Edmond de Rothschild Group is a leading Private Equity player that draws on its family experience and the expertise of its teams and partners to support the real economy. Since 2014, our Private Equity business has been consolidated into a single platform: Edmond de Rothschild Private Equity.



13  
INVESTMENT  
STRATEGIES

More than just financial players, we are partners in companies' growth as we apply a holistic risk management approach to help executives create not only more value but also more resilience. Our foresight has helped us identify innovative investment theses that provide concrete solutions to the major challenges of sustainable development.

Thanks to our long-standing experience in structuring funds, establishing investment processes and incorporating ESG considerations, we are well positioned to offer our public and private investment clients meaningful investment products that contribute to achieving the United Nations Sustainable Development Goals.



138  
PORTFOLIO  
COMPANIES

## **A methodical investment approach for more resilience**

The resilience of our strategies is not left to chance: they are intentionally built that way. We believe that measuring externalities is a necessary prerequisite for healthy, sustainable performance.

Our approach is rigorous by including :

- ▶ the identification of structural drivers of growth and development;
- ▶ a forward-looking approach to best anticipate the needs and changes of our society;
- ▶ a consistent integration of non-financial criteria in financial analyses;
- ▶ long-term value creation based on asset transformation and industry expertise.



PRESENT ON  
5 CONTINENTS



140  
PROFESSIONALS



ACTIVE SINCE  
1990

## OUR EXPERTISE SEPARATED INTO 3 CORE THEMES

### Growth Capital

We help entrepreneurs grow their businesses by offering long-term financing and our teams' strategic and operational support. We target high-growth, trailblazing businesses with strong development potential. Our financial return is built on long-term value creation based on asset transformation and industry expertise leading to greater responsibility and sustainability.

### Emerging Markets

Conscious of the importance of supporting emerging markets in developing sustainable, virtuous growth models, we support local (and often family-owned) businesses operating in industries that are key to developing the economy and the comfort of local populations. We go beyond simple financing to create value by sharing technical expertise and implementing best practices in governance.

### Real Assets

Investment in infrastructure is a key driver of economic growth. When it comes to social, transport and even environmental infrastructure, we meet financing needs and offer a response to societal and demographic challenges, as well as those related to the ecological and energy transition. We support the development of the infrastructure of tomorrow while balancing social and environmental interests with long-term returns.

## EDMOND DE ROTHSCHILD PRIVATE EQUITY INTERNATIONAL INVESTMENT:



### GROWTH CAPITAL

- Diversified Minority co-investments —● International
- Technologies —● Europe / USA
- Shareholder transition —● France
- Fund of fund —● Europe / USA / Israel



### EMERGING ECONOMIES

- Sub-saharan Growth —● Africa



### REAL ASSETS

- Social & Transport Infrastructures —● Europe
- Environmental infrastructure —● Europe
- Remediation of Polluted Sites —● Europe
- Luxury Hotels —● Europe
- Real Estate —● Europe
- Agro-forestry —● Africa / Latin America

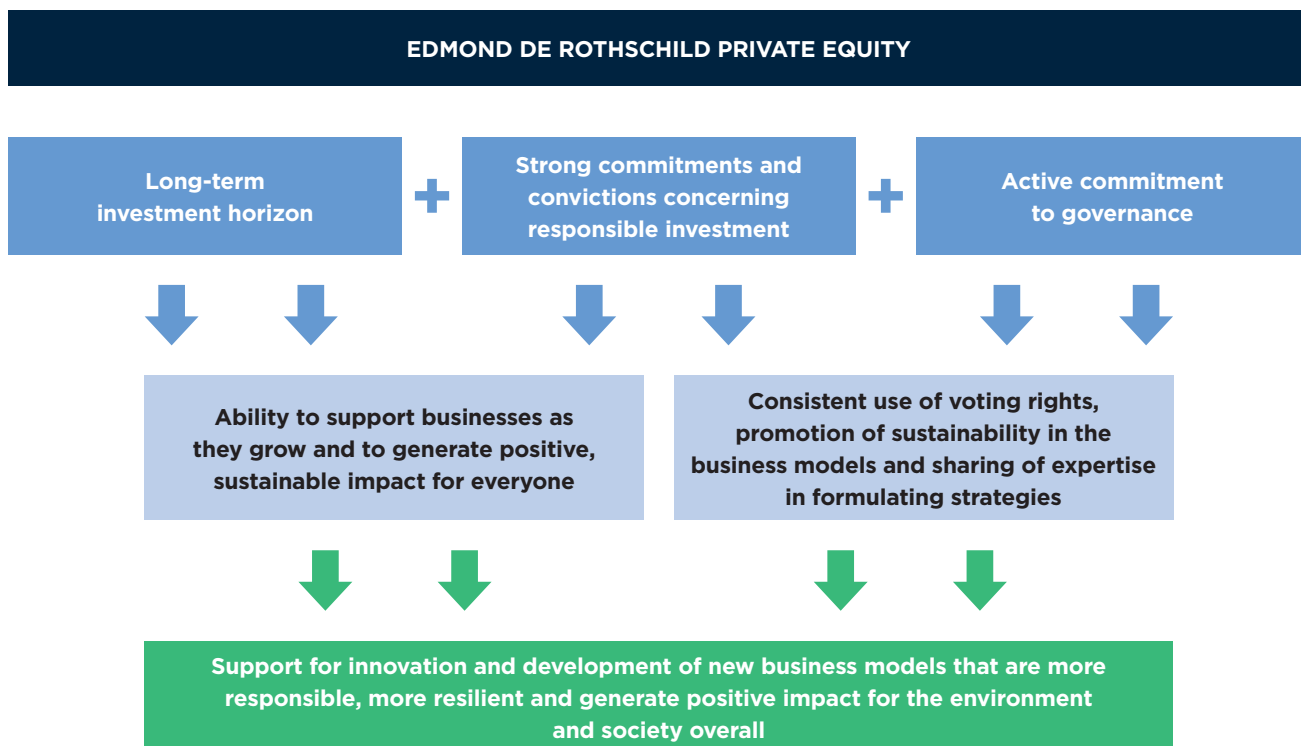


# EDMOND DE ROTHSCHILD PRIVATE EQUITY A TRANSFORMATION PLAYER

For over 250 years, the Edmond de Rothschild Group has been present for the major changes that shape our society, standing by the conviction that wealth is not a goal in and of itself, but rather a starting point for building a better, fairer and more resilient future for everyone.

As we confront the challenges presented by climate disruption and economic, social and even health crises, a search for meaning is becoming increasingly conspicuous across the globe. It is thus more crucial than ever to guide the transformation of our growth models towards greater responsibility, sustainability and therefore resilience.

The Private Equity asset class, with its long-term approach, is an especially relevant tool for addressing these new challenges.





## BEING BOLD BUILDERS OF THE FUTURE THROUGH BOLD STRATEGIES THAT SET US APART

At Edmond de Rothschild Private Equity, the inclusion of ESG criteria into financial analyses and the strong sense of purpose that drives the quest for positive impact for all stakeholders stems from a sincere, deep-seated principle at the core of our strategic vision. This vision, a source of resilience, is directly supported by the family shareholder.

### **Our investments to build the world of tomorrow**

- ▶ We identify the global trends that will shape the world of tomorrow.
- ▶ We anticipate the impact and influence of these trends on our society. We analyse the challenges they present.
- ▶ We choose forward-looking strategies that meet society's needs.

### **Putting the entrepreneurial spirit to use in Private Equity**

- ▶ We blend industry know-how with financial expertise to jointly develop innovative strategies.
- ▶ We support and guide entrepreneurs in executing their project and making it grow.
- ▶ We work with experienced and rigorously selected investment teams.

### **Tangible, sustainable value creation**

- ▶ We define strategies for the long term.
- ▶ We put finance to work for industry in order to create concrete real-world economic solutions.
- ▶ We assess and integrate both financial and non-financial risks to devise more resilient strategies.

Our investment strategies reflect an entrepreneurial approach to finance by drawing on a long-term vision deeply rooted in reality, far from speculation and intangibility.

## A RECOGNISED COMMITMENT TO RESPONSIBLE INVESTMENT

Signatory of:



Edmond de Rothschild Private Equity is a signatory of the Principles for Responsible Investment enacted by the United Nations.

**Since joining in 2016, we have received an A rating every year across all our reporting.**

# RESPONSIBLE INVESTMENT APPROACHES IN OUR PRIVATE EQUITY ACTIVITIES



ESG integration strategy	sustainability-focused strategy	impact strategy
<ul style="list-style-type: none"> <li>› Exclusion of sectors/products for ethical reasons or due to a negative impact on the environment and/or individuals</li> <li>› Consistent inclusion of ESG criteria throughout the investment process</li> <li>› Holistic risk management for better resilience to shocks and crises</li> <li>› Inclusion of ESG criteria in the financial analysis, investment/partnership decision-making process, contractual agreement and regular reports</li> <li>› Active shareholder involvement and promotion of sustainability (with defined action plans, where applicable)</li> </ul>	<ul style="list-style-type: none"> <li>› Strategy whose investment thesis contributes to providing solutions to sustainable development issues</li> <li>› Conducive to generating impactful results and helping to achieve the United Nations SDGs without formally being an impact investment strategy</li> <li>› Investments made in regions, sectors or businesses exposed to specific development issues conducive to implementing actions with sustainable positive impacts</li> <li>› Rigorous monitoring of ESG criteria over time</li> </ul>	<ul style="list-style-type: none"> <li>› Impact objectives clearly established in the structuring stage</li> <li>› Strategy whose investment thesis contributes formally and directly to a 'change theory'</li> <li>› 'Triple Bottom Logic' ('Environment, social, economy')</li> <li>› Formal ambition to help achieve the United Nations SDGs</li> <li>› Robust impact measurement methodology and expert team</li> <li>› Generally speaking, provides the key stakeholders with targeted impact reporting at least once per year</li> </ul>
<p><b>COMPETITIVE RETURNS &amp; GREATER RESILIENCE</b></p>		<p><b>HIGH-IMPACT SOLUTIONS</b></p>
<p><b>PARTICULAR ATTENTION TO ESG OPPORTUNITIES</b></p>		

## AN ESG INTEGRATED METHODOLOGY TAILORED TO THE SELECTED STRATEGY

### Direct, majority investment strategies:

Most of our private equity strategies involve direct majority investment, which offers a genuine ability to influence the management and strategic focus of the companies invested in. This is reflected in superior governance and the implementation of ESG action plans to create more value and better risk management. ESG integration is generally accomplished through the following actions:

Structuring	Sourcing	Investment rating	Investment	Portfolio management and monitoring	Exit
<ul style="list-style-type: none"> <li>› Statement in the legal and marketing documentation on the intention to act as a responsible investor</li> <li>› Section describing the ESG policy</li> <li>› Description of the ESG/ impact management tools</li> <li>› Definition of roles and responsibilities and appointment of the ESG representative on the investment team</li> </ul>	<ul style="list-style-type: none"> <li>› Discussion with the executives/partners and presentation of the ESG policy</li> <li>› Monitoring the exclusion policy and search for alignment of values</li> <li>› Economic justifications of the approach</li> </ul>	<ul style="list-style-type: none"> <li>› ESG analysis rubrics to assess the profile and initial ESG performance</li> <li>› Analysis of the materiality of the ESG risks and search for impact opportunities</li> <li>› Presentation of the established ESG action plan (areas for improvement) / expected positive impact objectives</li> </ul>	<ul style="list-style-type: none"> <li>› Inclusion of clauses on the ESG issues in the contractual agreements (subscription documents, side letters, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>› Identification of relevant KPIs to be monitored</li> <li>› Rigorous monitoring of ESG criteria analogous to the monitoring of financial criteria</li> <li>› Assessment of the effectiveness of the implemented action plan and anticipation of potential departures from it</li> <li>› Regular reporting</li> </ul>	<ul style="list-style-type: none"> <li>› Assessment and measurement of the impact generated</li> <li>› Presentation of the tangible, sustainable value creation</li> <li>› Consolidation of experience gained and lessons learned</li> </ul>

### Minority and/or indirect investment strategies:

By their very nature, minority or indirect strategies are less closely involved in the strategic decisions of the investee companies. Thus in accordance with our responsible investment values and commitments, we ensure that our strategies apply a twofold selection approach to the decision-making processes:

- ▶ **negative**, so as to remain true to the convictions, values and commitments of Edmond de Rothschild Private Equity with regard to responsible investment; and
- ▶ **positive**, by seeking opportunities to invest in players that have a ‘best in class’, ‘best in universe’ or ‘best efforts’ ESG profile and demonstrate sincere intentions regarding sustainable development.

#### ▶ WHAT DO YOU DO TO SUPPORT YOUR TEAMS AND PARTNERS IN DEVELOPING YOUR RESPONSIBLE INVESTMENT OFFERING?



My role is to develop and coordinate Edmond de Rothschild Private Equity’s ESG and Impact strategy. To do this, I take a cross-functional approach. First, I support the structuring and management teams in order to guarantee the best possible fit with our strategic vision, in particular by developing dedicated tools.



Second, I bring additional expertise to our partner teams as they define their ESG policy and impact strategy, which is done on an individual basis according to the specific features of each strategy. Finally, I help the teams conduct the materiality analysis and define ESG action plans and impact objectives specific to each investment project. Our strength lies in the synergy between the different types of expertise, and the close relationships and committed collaboration we maintain with our partners.

#### Delphine Patrilli

ESG & Impact Finance Manager  
Edmond de Rothschild Private Equity



INNOVATION FOR RESPONSIBLE INVESTMENT: **PRIVATE EQUITY**

The investment strategies of Edmond de Rothschild Private Equity share a common goal: to tackle current challenges and anticipate future challenges by using replicable, resilient strategies that generate positive impact. Our experienced teams target innovative, visionary investment projects that enable risk-adjusted returns on investment with positive social and environmental impact.

The partnerships cultivated over many years allow us to help protect biodiversity, contribute to environmentally friendly urban development, and develop human capital and even sustainable growth in emerging markets.

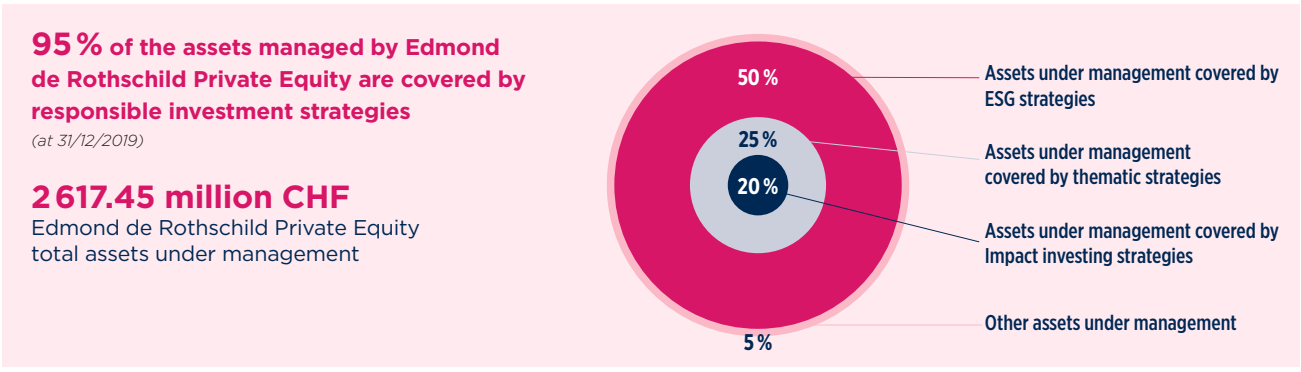


Thanks to our vision, the expertise of our teams and partners and the support of our investors, we at Edmond de Rothschild Private Equity can anticipate the major global trends and issues of tomorrow and try to find concrete solutions. For us, responsible investment is a matter of conviction, an approach that is vital to the development of a more resilient economy. Thanks to a forward-looking strategy with the systematic inclusion of No-financial criteria we have built a sustainable economic model that can better withstand shocks.



**Johnny El Hachem**

CEO, Edmond de Rothschild Private Equity  
Member of the Edmond de Rothschild Asset Management Executive Committee



2019 was an important year for Edmond de Rothschild Private Equity in terms of new launches and funds raised. Our ability to offer our clients a diverse range of responsible investment products that respond to issues such as the energy and environmental transition, sustainable buildings, digital innovation and the recognition of human capital has enabled us to meet our fundraising objectives.

All the funds raised will finance our responsible investment strategies, with almost half going to our impact investment strategy for European environmental infrastructures. This success, and the interest seen from our private and institutional clients, validate Edmond de Rothschild Private Equity’s responsible investment vision and convictions.

**The evolution of our Private Equity activities in the domain of responsible investment**



# PROMOTING INNOVATION TO SUPPORT CHANGE

Seeking a positive impact seems to be more than ever the only way forward if we are to help build a more fair and resilient society. Since it was created, Edmond de Rothschild Private Equity has demonstrated its investment convictions by producing a standout offering that combines financial performance with social utility and environmental responsibility.

Although financial performance is still vitally important, to be sustainable it must be combined with ESG considerations in investment decisions. In doing so, consideration for these criteria becomes a bona fide resilience and risk management instrument and no longer a compliance and marketing tool. Our vision is the same for our shareholder activism. Our teams combine industry know-how with financial and on-the-ground expertise to help companies move towards more virtuous business models and sustainable growth.

## 2020 OBJECTIVES

Progress follow-up

### 100% of strategies covered by best ESG practices in 2020



#### PROGRESS MADE BETWEEN 2015 AND 2019

- ✓ 100% of the investment strategies launched since our adhesion to the UN PRIs formally integrate the ESG factors in their investment processes
- ✓ 95% of our strategies are covered by an ESG or impact integration process as at 31/12/2019
- ✓ Systematic integration of ESG considerations for each new investment strategy and at the level of the asset management company's risk management policy

### Measure impact across all impact and ESG investment funds



#### PROGRESS MADE BETWEEN 2015 AND 2019

- ✓ Use of the United Nations Sustainable Development Goals as a reference framework for measuring and reporting the impacts of our investment strategies
- ✓ Definition of the most appropriate ESG monitoring indicators to measure the impact generated
- ✓ Inclusion of specific ESG results and considerations in periodic reports

### Increase the assets under management in our impact funds by 20% a year until 2020



#### PROGRESS MADE BETWEEN 2015 AND 2019

- ✓ Fundraising by our impact investment strategy for European environmental infrastructures was successfully continued in 2019, reaching €242 million at 31/12. This fundraising will continue throughout 2020 targeting a hard cap of €280 million
- ✓ We are keeping an eye on innovations and opportunities to develop our offering of impact investment products to enable us to meet the major challenges of tomorrow

Launch of our investment strategy focusing on Africa



Launch of our agroforestry impact investing strategy



Launch of our Small & Mid Caps mezzanine debt strategy

Signature of the PRI for the entire platform  
First carbon footprint



Launch of a new impact strategy focusing on water, waste, energy

Launch of our European real estate ESG integration strategy

Integration of climate risk in risk analysis process

Definition of indicators to measure the ESG performance of impact investing / ESG integration strategies

Integration of ESG best practice for all our Private Equity strategies

2012

2016

2017

2018

2020

# SOIL REMEDIATION INVESTMENT STRATEGY





The European Environment Agency estimates that Europe has over 2.5 million polluted sites. Left abandoned, these sites could pose serious risks to health and the environment. At a time when combating urban sprawl has become one of society's major challenges, our soil remediation and rehabilitation impact investment strategy has found a way of turning this statistic into an opportunity. Launched in 2009, it offers an alternative to urban expansion by restoring the social utility of polluted and abandoned former industrial sites. Once remediation work has been carried out we develop new efficient mixed purpose real estate that meets the highest standards and has sustainability certification, creating offices, shops, residential buildings and green spaces. Our strategy also favours the circular economy as we seek to recycle and re-use existing materials where possible and develop projects such as urban farms. Backed by this success, our impact investment strategy will enter its third year in 2020.



**7.15 hectares** of agricultural land preserved  
**36,380 m<sup>2</sup>** of land remediated<sup>1</sup>  
**53,143 tons of CO<sub>2</sub>** emitted during the lifecycle of the project<sup>2</sup>  
**16,500 tons** of waste avoided  
**69% of waste recycled** during the lifecycle of the project

**Example investments: Choisy-Le-Roi, France**  
 Rehabilitation of a former glass works and scrap yard with significant contamination of the soil and groundwater.

## Examples of the contribution to the Sustainable Development Goals (SDGs) of the United Nations:

-  Sustainable cities and communities
-  Good health and well-being
-  Responsible consumption and production
-  Life on Earth

## 16 investments of this strategy have allowed:

- 671,354 m<sup>2</sup>** remediated land
- 278,323 m<sup>2</sup>** earmarked for residential use
- 37,114 m<sup>2</sup>** earmarked for social housing<sup>3</sup>
- 133,714 m<sup>2</sup>** earmarked for office space

Through direct investments or urban planning taxes collected in the course of its investments, our impact strategy already contributed to finance **€ 85 million** in public infrastructure.

<sup>1</sup> We generally talk about volume, and not surface area, of soil remediated.

<sup>2</sup> The lifecycle of the project has been taken into account in the calculations, including the demolition and sanitation phases and the construction and operation of the buildings over 40 years. Thus the total lifecycle has been estimated to be around 50 years. The carbon emissions have been calculated using the Bilan Carbon® method (ABC, v6.1).

<sup>3</sup> Surface area of social housing is also included in surface area earmarked for residential use. The above surface area is the declared portion of the polluted land.

## AN IMPACT STRATEGY THAT IS SOCIALLY USEFUL AND ECONOMICALLY EFFICIENT

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Ten years after the launch of our impact strategy dedicated to the remediation and regeneration of former industrial wastelands, the relevance of our investment thesis has only strengthened. By controlling the environmental and health risks to which local residents are exposed and by rebuilding the city within the city, our strategy generates positive impacts for all stakeholders: local residents benefit from an improved way of life and well-being, local authorities see the creation of development regions that attract new residents, and remediation work helps preserve natural and agricultural land from massive concrete encroachment from the outskirts of cities.



## A MULTIDISCIPLINARY APPROACH TO HOLISTIC IMPACT MANAGEMENT

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The success of our impact strategy is based on strong convictions and entrepreneurialism, by being able to anticipate the challenges posed by urban development: the desire to preserve our environment and the health and well-being of local residents. This success is also the result of synergy from our investment teams' expertise: we can address all aspects of a project and better understand the expected impact levels thanks to proprietary methodologies. Thus, financiers, environmental engineers, urban planners and even ESG and impact experts collaborate at every stage of the investment process, with the goal of developing economically efficient projects capable of generating positive impacts for the environment and society at large.

### Launch of the 3rd generation in 2020:

“ The fight against sprawl is today one of the most common topics in Europe when considering the preservation of natural and agricultural areas. In this context, the regeneration of building land is a very important lever to revive urban centres by developing new useful infrastructure without harming the environment. On the strength of the results obtained from the first two generations of our impact strategy, a new version will be launched at the end of 2020.



**Bruno Farber**

Chief Executive Officer and Partner of Ginkgo Advisor



### **Support from the Caisse des Dépôts et Consignations ('CDC') through its issue of green bonds:**

Thanks to its novel investment thesis that offers concrete solutions to the challenges of the energy and ecological transition, our impact investment strategy has been financially supported by the Caisse des Dépôts et Consignations since 2017, which has underwritten it through its issue of green bonds.

## GROWTH IN AFRICA INVESTMENT STRATEGY



Investing in Africa means first and foremost supporting the local economy by making goods and services that comply with environmental and societal standards available to the populations and taking action to improve the working conditions in economies that remain too informal. Because development issues are closely linked to the social and environmental context, managing ESG risks and monitoring and measuring the resulting impacts are integral components of our growth in Africa investment strategy. This responsible investment approach is applied during the entire lifespan of our investments, from initial project assessment to final disposal.

Since its launch our investment strategy has enabled the employment of, or kept in employment, almost 18,000 people in Africa, of which almost 35% were women in a continent where women still find it difficult to access jobs in the real economy. Our investments also support financial inclusion in Africa, giving 165,000 disadvantaged clients access to the microcredit solutions on offer from our banks. And through the tax revenue paid to the African governments, our investments contribute to the development of public infrastructure.

**4**  
investment  
vehicles

**+ 324**  
Million €  
invested to date  
to finance growth  
in Africa

**25**  
investments  
in 9 countries



### The governance issue in African SMEs

Sooner or later all family companies in all parts of the world face the transition to a more institutionalised structure and less dependence on the founders. These challenges are often magnified in Africa because of cultural resistance, for example great respect for the 'elders' who sometimes make the transition more difficult. As a result, many companies in Africa still fall behind when it comes to governance.

Our strategy focusing on growth in Africa has completed many investments in family-owned businesses when they were undergoing a managerial and/or legacy transition. Because we believe that stronger governance is a crucial driver of value creation and a guarantee of investor confidence, we help our partners create more transparency and shared decision-making processes, factors that help sustain businesses for the long term.



“ As part of our investments, we ensure that decision-making processes are implemented or overhauled in order to guarantee robust governance, and we institute anti-money laundering and anti-corruption policies. Including independent members in the management bodies is another opportunity for dialogue and value creation. Whenever necessary, we set up committees in addition to the Board of Directors to ensure that decisions are taken objectively.

**Aurélie Pujo**

Partner & General Counsel, AMETHIS Finance





# IN-HOUSE ESG EXPERTISE FOR MORE RESILIENCE AND SUSTAINABLE VALUE CREATION

The consideration of ESG factors throughout the investment process and the pursuit of positive impacts for all stakeholders require a trained expert team that is attuned to environmental and social issues. Since 2014, our investment strategy dedicated to growth in Africa has included a sustainability specialist to help the teams achieve greater responsibility and value creation in their investments. Our strategy thus seeks to provide our African partners with the best possible support so they can improve their overall performance.

▶ AS AN ESG MANAGER, WHAT IS YOUR ROLE IN ANALYSING AND MANAGING INVESTMENT OPPORTUNITIES?



I help our investment team better understand the scope of the ESG issues and how to control them. This means that I work with them to assess the materiality levels of the ESG issues, analyse the level of control by the target companies and then define action plans that will enable us to steer their non-financial performance. Post-investment, I work closely with the local teams in our companies to guide them in executing the action plan and taking ownership of their non-financial priorities.



**Malvina Pau**

ESG Manager, AMETHIS Finance

## Example of an investment completed in Morocco, in Groupe Premium

In 2018, our strategy focusing on supporting growth in Africa invested in Groupe Premium, the Moroccan leader in the leasing and sale of agricultural and construction equipment, machines and vehicles.

From the outset of our investment, we helped the company implement an integrated management system encompassing quality, occupational health and safety, and the environment.

Collaborative work onsite and the strong involvement of Groupe Premium's teams, whom we guided in this process through regular dialogue, were key to the project's success.



These efforts were rewarded in late 2019 when the company obtained ISO 9001 certification for quality management. The intention is to expand this work, which was launched within the Moroccan subsidiaries, and gradually and uniformly apply it across all the subsidiaries in sub-Saharan Africa.

# AGROFORESTRY INVESTMENT STRATEGY



Faced with the challenges of deforestation and soil deterioration, often caused by agricultural practices based on intensive farming models, it appears to be more vital than ever that we preserve our ecosystems and biodiversity by developing more resilient agricultural alternatives which guarantee producers sustainable revenue. Set up in 2012 by Edmond de Rothschild Private Equity and its partner ONFI<sup>4</sup>, our agroforestry impact investment strategy helps small producers in Sub-Saharan Africa and Latin America implement sustainable agriculture models. Agroforestry capitalises on the biological synergies between trees and crops or cattle to improve land management and preserve the ecosystems, increase productivity and thereby generate better income for the local producers and populations. Our vision is to offer our investors and local communities financial returns and at the same time help to reinforce environmental and social resilience in land use and the fight against climate change.

## 10 investments of this strategy have allowed:



### ► HOW DO YOU WORK WITH YOUR LOCAL PARTNERS AS PART OF YOUR ESG STRATEGY AND THE PURSUIT OF IMPACT?



Agroforestry is one of the most effective ways to address the issues created by climate disruption in the agricultural sector and thus limit rural poverty in countries where this sector is one of the largest sources of employment and income. To meet the specific needs of each partner and region and provide support in



the transition of agricultural, environmental and social practices, I communicate regularly with our partners and frequently travel to the sites. These trips offer an opportunity to cultivate close working relationships and engage in dialogue with the producers we support in order to better understand their challenges, adjust the action plans and develop long-term partnerships to achieve more resilience in the agricultural industries and rural communities. In 2019, I travelled to seven of our 10 sites where we are investing, including a trip to Tolaro Global in Benin with the ESG & Impact Finance Manager of Edmond de Rothschild Private Equity.

**Oriane Plédran**

ESG Manager de Moringa Partnership

### Our impact strategy in agroforestry is also:

**22%** of employees of investee companies are women and **12%** have managerial positions

**18%** of the farmers are women

**10 companies** provide decent working conditions by following good hygiene, safety and salary practices

**6** local processing plants built

**2** additional processing plants to support exploitation

**3 projects** for the production of clean energy from agricultural waste

<sup>4</sup> The international branch of the Office national des forêts français.

### Investment in Benin to strengthen the cashew nut industry

In 2017 our agroforestry impact strategy invested in Tolaro Global, one of the main cashew nut processing companies in Benin. Tolaro, which sources from local producers, has an 80% share of national exports.

Our investment helped finance the switch to large-scale primary nut processing by developing a subcontracting programme, and it helped finance the construction of a roasting, seasoning and packaging facility. As a result, Tolaro redesigned its value chain by promoting local processing and the direct sale of the finished product.



**7,102 ha**  
of sustainably managed land



**615**  
job opportunities



**6,838**  
suppliers



In May 2019, Tolaro Global obtained BRC certification with an A+ rating, making it one of the first cashew nut businesses in West Africa to receive this demanding certification.

### Reducing the sector's carbon footprint while supporting the local economy

Due to a lack of local processing facilities, 90% of the nuts harvested in the country are exported to Vietnam or India, where they are reprocessed before being distributed worldwide. By investing in Tolaro Global, we are supporting Benin's economic development by bringing the production system back to the local community, and we are helping to reduce the sector's substantial carbon footprint.

### Actions in support of women's employment and independence

Tolaro Global helps local small producers and agricultural cooperatives improve their output and secure better purchase prices. The group contributes to domestic economic growth by creating jobs, particularly for women, and by creating added value within the country.

In Benin, for the most part women do not have the right to own real estate or even inherit it from their husbands or parents. This position greatly

limits their ability to engage in business activity and have means of subsistence, and therefore contribute to their country's development. In light of this situation, Tolaro Global asks all the farmers who receive its support to bequeath part of their land to their wives.

The company has also created an on-site nursery, thus providing a childcare solution to some 60 female workers. Some men also take advantage of this solution, which frees up time for their spouses, who are then able to work. In 2019, the nursery took care of 78 children between six months and four years old, and had two nurses on staff.



## IMPACT STRATEGY FOCUSED ON ENVIRONMENTAL INFRASTRUCTURE IN EUROPE



With an historic presence in the European infrastructure sector, and in line with its ambition to expand its offering of impact investment strategies, in 2018 Edmond de Rothschild Private Equity introduced a new strategy focused on European environmental infrastructure.

Targeting mainly water management, waste management, and renewable energy production, our strategy seeks to address the major challenges posed by the ecological and energy transition while supporting the circular economy.

Backed by a team of experienced partners, each with more than 25 years' experience in these fields, we are uniquely positioned to invest in European projects and optimise their economic and environmental value. We offer a turnkey solution to manufacturers and local authorities

faced with increased financing needs enabling them to respond to the imperative of modernising and optimising obsolete infrastructure.



Thanks to an investment thesis directly inspired by ecological and energy transition issues, and with the support of the ESG team of Edmond de Rothschild Private Equity, in January 2019 our impact strategy earned the **French GREENFIN certification** (formerly known as TEEC, 'Transition Énergétique et Écologique pour le Climat'). This certification reflects our overall, and not just financial, performance objective, by aligning the creation of social, environmental and economic value.

“ Our impact strategy lies squarely within a long-term responsible investment approach. Thanks to its robust expertise, our team has a unique ability to invest in European projects and optimise their economic and environmental value while capitalising on the synergies between the fields of energy, waste and water. The quality and relevance of our investment theses have been validated by our fundraising success. This fundraising, which began in late 2018, continued successfully in 2019, enabling us to reach €240 million in total commitments by year-end from a diversified range of institutional investors. This success is expected to continue in 2020, reaching or even surpassing the hard cap level set at €250 million.



**Jean-Christophe Guimard**  
Chief Executive Officer, Pearl Advisory



In particular, our strategy has been supported financially by two strategic international investors: the **European Investment Bank** and the **Caisse des Dépôts et Consignations**, each having invested €40 million as part of their commitment to the ecological and energy transition and the fight against climate change.

## STRATEGY FOCUSED ON BUSINESS TRANSFER



### Human capital is central to business transfer

Our new investment strategy, which was introduced in 2019, focuses on the issue of transferring family-owned SMEs, whose success represents a major challenge for the economic network and its vitality. Consistent with the values embraced by Edmond de Rothschild Private Equity, our strategy is innovative in its approach by placing human capital at the core of its responsible investor approach.

Recognising that the success of a takeover depends above all on the quality of the entrepreneur, we reverse the traditional approach of searching for targets by focusing first on the buyer. We start by selecting a pool of talented entrepreneurs that we then help identify attractive SMEs confronting their executive's retirement.



The strength of our strategy lies in the distinct bond created between the buyer and the founding executive, and by maintaining the company's independence, culture and values.

ESG considerations are integrated into the investment process and to support the purchased companies. For each company, areas for improvement are identified and an action plan is established with the support of the ESG team of Edmond de Rothschild Private Equity. This action plan is led directly by the acquirer entrepreneur. Our goal is to transform these SMEs and reintroduce them to the economy as better performers from both a financial and non-financial standpoint.

## EUROPEAN REAL ESTATE INVESTMENT STRATEGY



With ways of life changing and the threat posed by climate change, the building sector has a crucial role in finding solutions to new societal and environmental challenges. Our real estate investment strategy anticipates and takes account of these megatrends to respond to sustainability issues while protecting the capital invested.

We target dynamic European cities, renovating existing stock and constructing new buildings with a focus on energy efficiency, lifecycle analysis of the materials and the well-being of the occupants. As value creation is dependent on the appeal of the spaces created and renovated, we place users first and incorporate technological innovation into our buildings for added comfort and well-being coupled with better energy management.

We use our in-depth understanding of buildings, how they can be improved and the opportunities they present to design buildings that stand the test of time and offer an enhanced occupier experience. To be able to offer our investor clients the best possible product and play our part in building the city of tomorrow, we have identified seven sustainability targets which translate into 23 positive impacts on a more scalable, resilient and innovative building.



Connected building of 3,283 m<sup>2</sup> under construction in Montreuil (France) intended for office use. Labelling objective 'excellent' according to BREEAM certification. Optimised energy performance thanks to the 'biophile' design of the building and the creation of green spaces.

**16,508 m<sup>2</sup>** of rental area renovated or rebuilt

**55 Mio €** renovation budget (44% of the asset purchase price)

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# ENVIRONMENTAL IMPACT MANAGEMENT

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## IMPORTANT ISSUES

- ▶ **CO<sub>2</sub> EMISSIONS FROM ENERGY CONSUMPTION**
- ▶ **CO<sub>2</sub> EMISSIONS FROM PROFESSIONAL TRAVEL**
- ▶ **PAPER CONSUMPTION**
- ▶ **WASTE MANAGEMENT**

The financial sector has a direct impact on the companies in which it invests. We incorporate climate risk management in our quest for ongoing improvement in line with the Group's Responsible Investment Policy and Environmental Policy. Our commitment is clear: to direct our investments towards supporting a sustainable economy that will combine financial performance with social and environmental equilibrium.

As a responsible company, it is also our responsibility to combat climate change by controlling our carbon footprint, offsetting our CO<sub>2</sub> emissions, buying recycled paper, controlling our own energy consumption and recycling our waste responsibly.

Successfully managing our environmental footprint means that we must create conditions conducive to change and pay careful attention when setting goals in order to build a sustainable future.

## MANAGEMENT OF OUR ENVIRONMENTAL IMPACT

The 2019 results of Edmond de Rothschild Private Equity's Carbon Report, along with two of its high-impact investment strategies:

CO <sub>2</sub> emissions (in tonnes of CO <sub>2</sub> equivalent)			
	Soil remediation strategy	Agroforestry strategy	EdR Private Equity Platform
<b>SCOPE 1 &amp; 2</b>			
- purchasing of fuel (especially natural gas)	0.00 <sup>5</sup>	2.97	4.99
- purchasing of non-renewable electricity			
<b>SCOPE 3</b>			
- IT equipment	32.77	94.88	204.64
- paper consumption			
- professional travel			
<b>Total emissions</b>	32.77	97.85	209.63
<b>Footprint per employee</b>	3.41	10.62	5.81

## PROGRAMME INSETTING

Since 2017 our Group has offset its CO<sub>2</sub> emissions corresponding to scopes 1 and 2 of its carbon footprint. By committing itself to Insetting rather than traditional Offsetting, the company allows socio-environmental commitments to be integrated in to the core of its business.

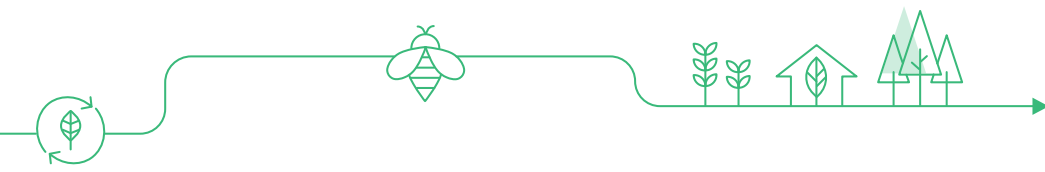
Implemented as part of the reforestation programmes in Nicaragua financed by the Edmond de Rothschild Private Equity agroforestry impact investment strategy, the insetting program actively supports coffee producers in Nicaragua. These producers receive training in their fields, where they learn to apply the most effective agroforestry practices. Trees are planted on farms and produce valuable fruits and wood. The region's biodiversity is therefore preserved, improving local families' food security.

In 2019, the reforestation project impacted 31 producers, 23 of whom were new, including 8 women. Experts from the insetting program help the producers set up, develop and maintain their plots of land, while controlling diseases and pests. The program also improves the greenery of schoolyards in the region to educate children about climate change and the risks of deforestation.

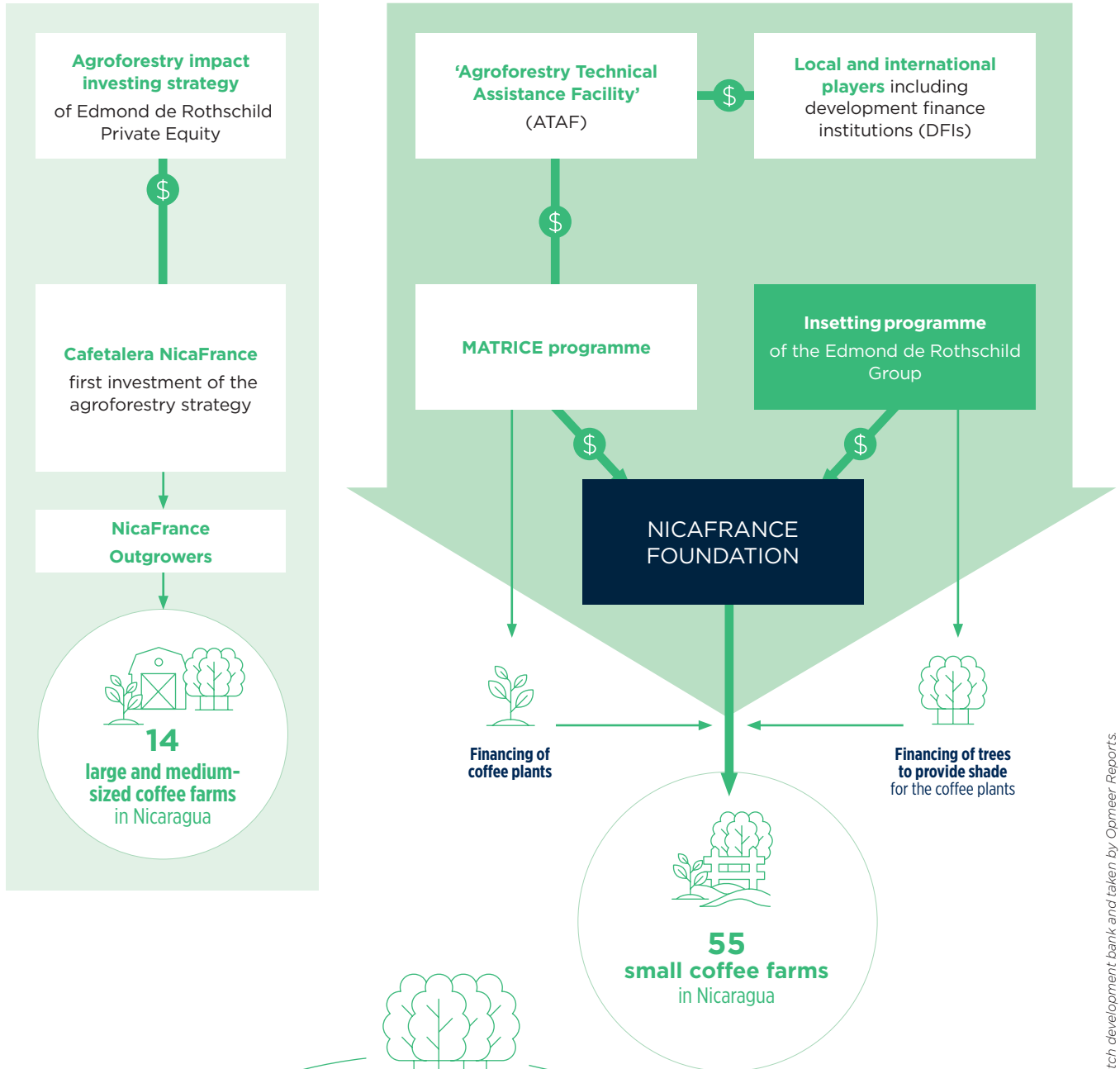
### Offsetting of the CO<sub>2</sub> emissions (Scope 1 & 2<sup>12</sup>) of the Edmond de Rothschild Group

	In 2016-2017	In 2018	In 2019	Total since the start of the Insetting programme
Trees planted	14,218	13,892	13,535	41,645
Ha reforested	50	63	31	144
<b>Tonnes eq. of CO<sub>2</sub> offset</b>	<b>3,554</b>	<b>3,473</b>	<b>3,384</b>	<b>10,411</b>

<sup>5</sup> 100% of electricity used is from renewable sources - no natural gas used.



# THE CONTRIBUTION AND IMPACT OF THE EDMOND DE ROTHSCHILD GROUP'S INSETTING PROGRAMME



For every **4 trees** planted  
**1 tonne** of CO<sub>2</sub> is offset

## The insetting project represents, since 2016:

<b>41,645</b> trees planted	<b>10,411</b> tonnes eq. CO <sub>2</sub> offset	<b>1,016</b> families benefited from positive impact	<b>90</b> producers benefited from positive impact	<b>144</b> hectares reforested
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Opposite page: photos commissioned by FVO, the Dutch development bank and taken by Opmeer Reports.





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