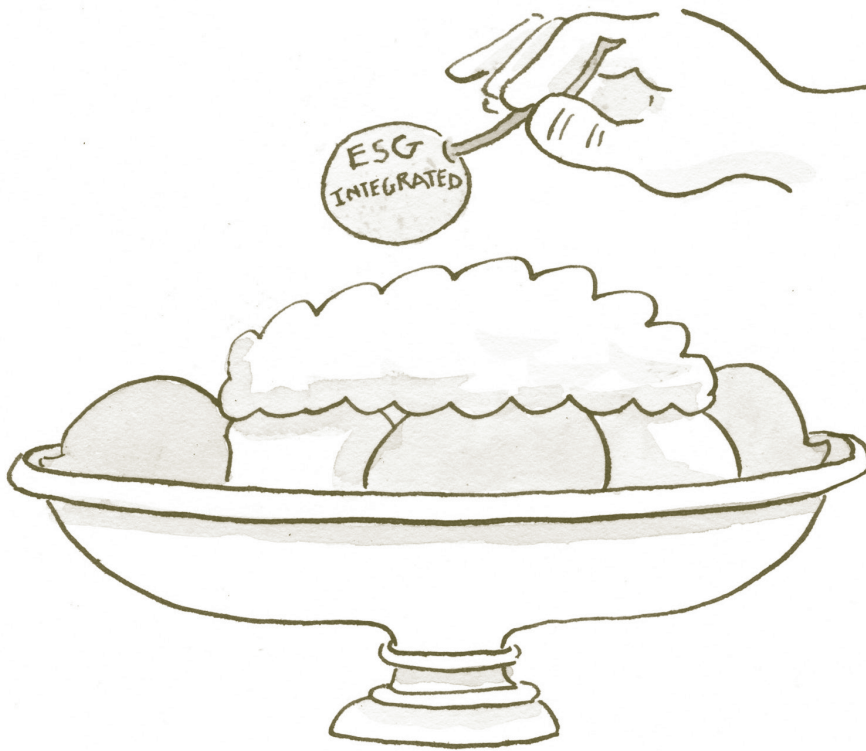




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How We Analyze Companies for **Relevant ESG Factors**

When investing, it's important to remember a company is more than just numbers on a spreadsheet or chart. ESG (environmental, social and governance) considerations, which extend beyond traditional financial metrics, are becoming a more important part of any investment approach as they may have both direct and indirect impacts on corporate profitability, long-term portfolio performance, and risk. Accordingly, analysis of these factors should generally help to identify more healthy and sustainable businesses over the long term, which is something very relevant to our investment process for our clients here at RMB. »

In our previous issue, we gave a brief history of ESG investing, explored how it has evolved over time, and previewed RMB's approach of pursuing the integration of relevant ESG factors, as opposed to pursuing sustainable investment strategies, which seek to achieve specific sustainability-related outcomes.

In this article, we'll continue on this theme by discussing RMB's historical approach to ESG assessment—most focused on governance—and our latest efforts to further integrate certain material ESG considerations into our overall investment process, where appropriate.

The RMB equity research team has informally incorporated certain material ESG considerations into its research process for select strategies for many years, as part of identifying high-quality, well-managed companies for client portfolios. Historically, most of the emphasis has been placed on governance factors, such as the board of directors composition and structure, and executive management incentives and compensation. On a periodic basis, our proprietary research platform receives systematic updates on this data for a universe of thousands of listed equity securities worldwide. For each portfolio holding, our analysts assign a letter grade intended to summarize our assessment of the company's governance practices. These grades are visible in our internal research platform for both portfolio managers and analysts and are one of multiple factors that may be considered when making an investment decision.

More recently, market participants generally have begun to increasingly consider environmental and

social factors as part of an overall assessment of a company's level of management skill and strategic positioning. We are similarly moving to formally incorporate a wider spectrum of financially material ESG factors, where appropriate, to improve our investment decision-making and to seek to generate enhanced risk-adjusted returns.

So how does this work? For our Small and Smid Cap strategies, we have extended our grading system to evaluate portfolio holdings based on their environmental and social disclosure and business practices. These assessments are largely informed by information disclosed in the firm's annual Corporate Sustainability Report (CSR). To further narrow our focus within each element of ESG, we are taking our cues from industry-specific standards that identify the most financial material ESG factors for each company based on their sector. As a final step, the three underlying grades for environmental, social, and governance factors are used to determine our assignment of a firm's overall ESG assessment grade.

This evolution is part of our commitment to continually improve our internal investment processes to seek to generate superior risk-adjusted returns for RMB clients. As ESG factors become more critical to investors and offer more insight into how companies are managed, we'll continue to add relevant metrics to our analysis as appropriate to provide a clearer picture into which companies are protecting shareholder value with their ESG initiatives. It's one more way that RMB looks beyond the traditional financial statements to build portfolios that help clients meet their long-term investing goals. ■