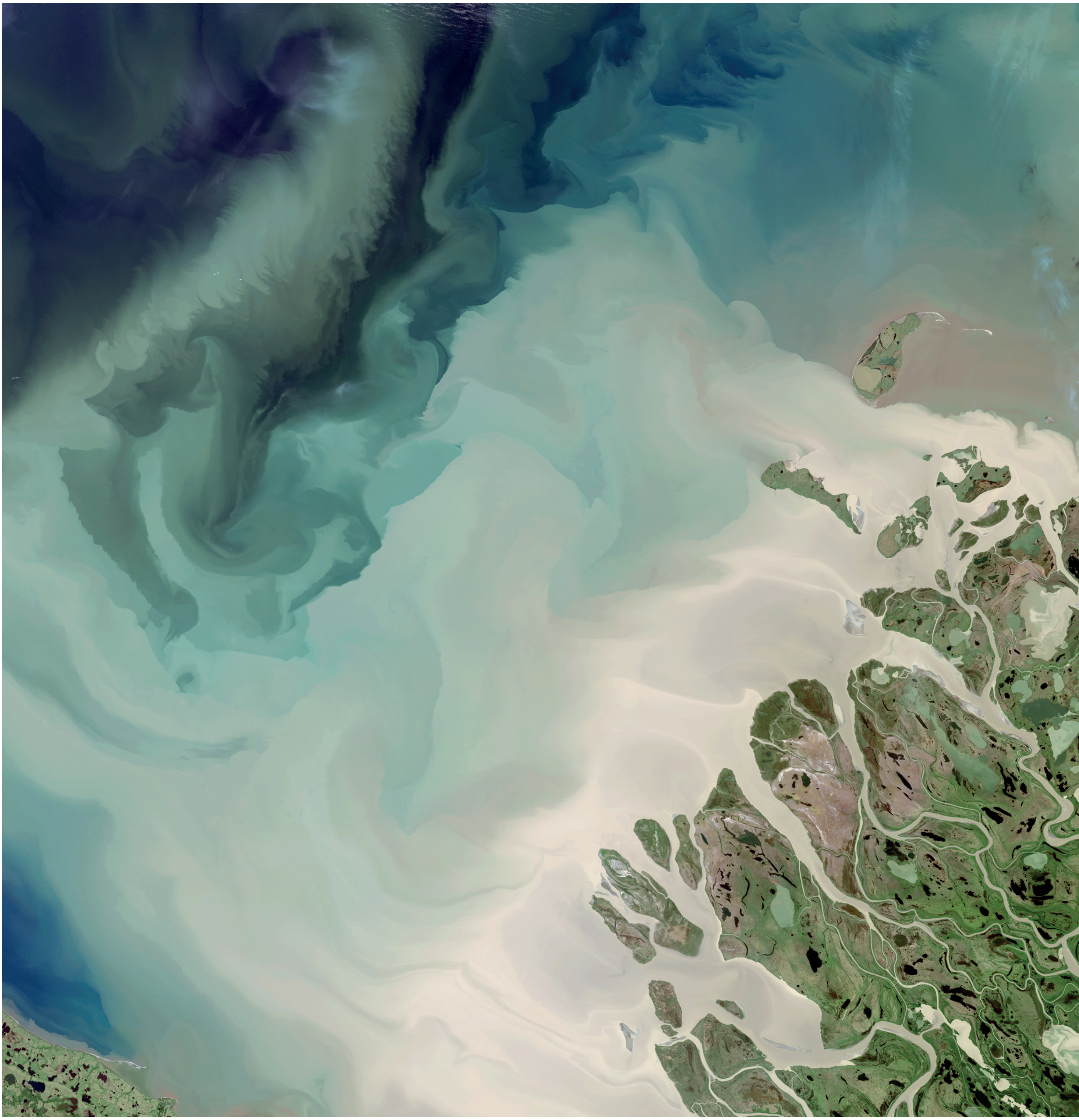
Rothschild & Co
Wealth Management



2023

Sustainability and Stewardship Policy

Contents

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Section one – Who we are

Rothschild & Co Group

Rothschild & Co's purpose is to provide a distinct perspective that makes a meaningful difference to our clients' business and wealth, our planet, and the communities we are part of.

As a family-controlled business with more than 200 years of heritage, we know that long-term value creation depends on the balanced consideration of the interests of all our stakeholders. Enabling a future where everyone can thrive is a fundamental requirement for sustaining a successful business over the long term, managing risks for the Group's stakeholders, and unlocking opportunities for growth. As such, sustainability is fundamental to delivering the Group's strategy across its business model.

With a team of 3,800 talented financial services specialists on the ground in over 40 countries across the world, we deliver a unique global perspective across four market-leading business divisions: Global Advisory, Wealth Management, Asset Management, and Merchant Banking.

In 2021, the Group formalised its long-term ambition to use its influence and expertise to support the sustainability transition of the global economy as a key pillar of the Group strategy, and to further drive business line strategy integration.

A common set of strategic priorities provides the Group with a clear focus, ensuring that sustainability is an imperative across the Group's business model, including its:

- direct operational impact
- investment approaches in the Wealth and Asset Management and Merchant Banking businesses
- transaction advice in the Global Advisory business, including dedicated ESG advisory expertise
- client and mandate onboarding
- engagement of other operational supply chain partners, and
- approach for support of charities and social enterprises.

The Rothschild family control creates the stability and long- term perspective not matched by many organisations. We are unconstrained by short-term thinking – our decisions are not driven by quarterly or annual results – and can be patient. This manifests in a culture of responsible business and long-term value creation for our clients, staff, and other stakeholders.

Responsible management of our operations, resources, and services plays a fundamental role in our approach to business and achieving our long-term strategic objectives. The importance of getting it right cannot be overstated, given the potential impact on our people, the industry, local communities, and the planet.

Our culture is rooted in the Rothschild family values and is central to our longevity and success. This commitment to a culture of responsible business is firmly embedded in our business model.

Group vision
Sustainability commitment as a key pillar in our Group strategy

SUPPORTING THE SUSTAINABILITY TRANSITION IS KEY TO OUR BUSINESS MODEL

Values-driven culture

We promote a culture of responsible business and long-term value creation for our clients, stakeholders, and investors

Thoughtful
- Considered
- Strategic
- Long-term

Principled
- Responsible
- Empathetic
- Committed

Creative
- Innovative
- Collaborative
- Entrepreneurial

Three established businesses

One group consisting of three established business

KEY DIFFERENTIATION

Long-term view
- Family-controlled
- Strong capital position
- Enduring client relationships

People-centric
- Breadth of experience
- Deep know-how
- Partnership culture
- Well-connected

Unique brand heritage
- Strong credibility
- High affiliation

BUSINESS ALIGNED STRATEGY

Focus

Build strong market positions and expertise around our three core businesses

Growth

Growth across our three businesses, both organically and through targeted acquisitions, mitigating the impact of cyclicality in our markets

Value creation

Three established businesses with strong synergies between them focused on sustainable performance and value creation

Strong returns

Effective use of capital generates long-term profit growth, supporting our progressive dividend policy

Sustainability ambition

Use our influence and expertise to support the sustainability transition of the global economy

Rothschild & Co Wealth Management UK

Rothschild & Co Wealth Management UK Limited is part of the Group's Wealth and Asset Management division.

Our purpose is to preserve and grow the real value of our clients' wealth for multiple generations in a sustainable way.

This purpose shapes our duty to our clients, which is to achieve their financial objectives though both the allocation of their capital and the active ownership of the investments made on their behalf.

This duty drives our actions and the consideration of any factors we believe are relevant to the long-term success of client portfolios.

We provide discretionary investment management to a wide range of clients, including private clients and families, and foundations and charities. Managing discretionary, multi-asset class portfolios is our core area of expertise, and we have one core investment strategy: wealth preservation in real terms. We focus all our time and energy on doing this well.

We look after £13.5 billion of assets, and more than 90% of our clients' portfolios are managed on a discretionary basis, with an 'inflation plus' return objective.

OUR CLIENTS COME FIRST

We work with the world's most successful entrepreneurs, families and charities to preserve and grow their wealth.

We measure our success by the longevity and depth of our client relationships. Ultimately, the business's success depends on delivering successful investment returns for our clients.

Our vision is to be the best financial partner for our clients. This is not about asset growth but about focusing on the needs of our clients, which means delivering market-leading investment performance and exceptional client service.

Given our distinct approach to managing portfolios, we spend a lot of time at the outset of the relationship getting to know our clients, understanding their priorities and motivations, and ensuring they fully understand our investment philosophy and approach.

A key aspect of our investment offering is our client service. Clients have high expectations of Rothschild & Co Wealth Management, and we seek to exceed those expectations. Over the years, we have been fortunate to be recognised frequently by the industry for our levels of client service.

We have deliberately structured our business to make a clear distinction between the roles of the Portfolio Managers and Client Advisers. We employ highly experienced Client Advisers who are the main point of contact for clients and manage the day-to-day communications. This allows our investment team to focus on managing the portfolios and delivering performance.

Our clients can expect to interact with engaged and experienced individuals who act in a way that is clear and transparent.

Section two – Our investment approach

Philosophy and beliefs

INVESTING FOR GENERATIONS

As a family-controlled business, we have been investing for generations for over 200 years, and we aspire to do so for decades to come. Regardless of client type or portfolio size, our clients look to us to be a safe and secure home for their assets. We manage our clients' assets with the same care and diligence we do our own. Through our investments, we aim to preserve the wealth of future generations, as well as the environment and society they will inherit.

OUR BELIEFS

The following beliefs underpin our investment philosophy and determine the way we invest our clients' capital.

We believe that…

1. Long-term thinking creates greater value.

A long-term investment horizon allows us to ignore short-term market noise and focus on what really matters. Instead of chasing short-term returns, we act and think like business owners and build active partnerships with the companies and funds that we invest in.

2. Investors need to protect themselves against inflation in order to preserve and grow wealth in real terms.

Even modest levels of inflation erode the real value of capital over time. Our investment objective is to outpace inflation. We do this by investing in high-quality companies with pricing power and high barriers to entry.

3. Sustainability is a fundamental investment issue.

Sustainability factors (environmental, social and governance – or 'ESG' factors) cannot be separated from economic factors; they are an inherent part of the long-term risks and opportunities for any company. Sustainability analysis is explicitly integrated into our investment process. As long-term investors, we want to own high-quality businesses that have resilient business models and sustainable business practices.

4. Navigating market downturns well is a crucial part of the journey.

We seek assets that provide genuine protection during periods of market stress. This allows us to smooth the journey for our clients. Our in-depth research on companies means that we invest with conviction while minimising the risk of permanent capital loss. Taken together, we build sensibly diversified portfolios, combining investments in high-quality companies with assets that provide insurance in times of turbulence.

INVESTMENT PHILOSOPHY

Our investment philosophy is built on preserving and growing our clients' wealth in real terms for generations. We seek to deliver strong risk-adjusted returns over the long term while avoiding large losses during periods of market weakness.

We build portfolios with two distinct parts: Return Assets which we expect to generate inflation-beating returns over time, and Diversifying Assets which help us avoid large losses. The appropriate split between Return and Diversifying Assets is determined by clients' individual return objectives and tolerance for risk.

Our approach is benchmark agnostic, and rather than a market index determining how we construct portfolios, we look globally for the best investments to meet our clients' investment objectives, regardless of asset class, sector, or geography. This is 'bottom-up' investing, whereby the asset, sector, and geographical mix of our portfolios is an output of our investment decisions, rather than the starting point.

Everything we invest in is selected on its own merits. There are no 'underweight' or 'overweight' positions; if we don't believe an investment or asset class is going to help us deliver our clients' return objectives, we won't own it.

We do not employ a strategic asset allocation but instead rely on a risk budget to manage risk at the portfolio level. While we agree that portfolios need to be diversified, achieving genuine diversification requires more than just selecting the ratio between equities and bonds, and other asset classes. It's about understanding the underlying risk characteristics of each asset and how they will behave in different market environments, rather than relying on asset 'labels'.

RETURN ASSETS

Return Assets are investments that we believe can generate real capital growth and therefore drive long-term performance. We think we can best achieve our objective of growing our clients' capital by owning high-quality businesses for the long term, either directly or indirectly via funds. There are two aspects to 'high quality'. One is what the business does, and the other is how it does it.

We believe high-quality businesses have resilient business models: these companies are likely to be able to sustain their market position and grow their profits long into the future. They have durable competitive advantages, such as economies of scale, network effects, and a compelling brand or intellectual property, to name a few.

At the same time, high-quality businesses need to demonstrate sustainable business practices. Environmental and social factors can become financial factors over the long term. Companies need good governance to manage their material ESG risks and opportunities well. Stakeholder interests need to be balanced appropriately – not just those of shareholders and senior management – but also employees, customers, and suppliers as the detrimental treatment of other stakeholders may be profitable in the short-term, but long-term success is dependent on the successful balancing of these interests.

Return Assets

- Assets we expect to generate real capital growth and drive long-term performance
- Includes all securities and funds we would expect to be correlated to equity (stock) markets, albeit to varying degrees
- Examples include equities, certain hedge funds, property, corporate bonds, and commodities

Diversifying Assets

- Assets we expect to provide genuine diversification or protection
- Display little correlation to equity markets, even in extreme conditions
- Examples include inflation-protected government bonds, diversifying hedge funds, cash, and portfolio protection (put options)

DIVERSIFYING ASSETS

The role of the Diversifying Assets is to protect our clients' capital in periods of market stress and to limit the impact of equity market falls, thereby smoothing some of the inevitable highs and lows of being invested in equity markets. The Diversifying Assets serve to protect portfolios from systemic risks, such as market dislocations caused by recessions or events that cannot be foreseen, such as the COVID-19 crisis or the war in Ukraine.

We don't pretend that we can predict what the next market crisis will look like or when it will happen. To make portfolios robust in any scenario, we look to diversify our Return Assets, but also to 'diversify our diversifiers' to have multiple lines of defence. We identify a variety of diversifying strategies that will behave in different ways to make our portfolios robust in different market scenarios. Some assets aim to provide protection against a sharp market crash, others against a slow protracted downturn. We also consider how the portfolio behaves in inflationary or deflationary scenarios.

Overview of our investment strategies

New Court

Our broadest strategy, combining Return and Diversifying Assets with an objective of wealth preservation in real terms and long-term capital growth.

All aspects of this policy apply to this strategy.

Halton

Our most concentrated strategy investing in listed equities only.

This strategy does not invest in fixed income or third-party funds, so these aspects of this policy do not apply.

Exbury

This strategy combines Return and Diversifying Assets with an objective of wealth preservation in real terms and long-term capital growth.

All aspects of this policy apply to this strategy.

Furthermore, within Exbury we have an additional focus on investing in assets enabling the goals of the Paris Agreement and supporting the transition to a lower carbon world.

We call these 'Enablers', defined by a meaningful contribution to at least one of the four following themes:

- Powering our world
- Sustainable transport and infrastructure
- Responsible production and consumption
- Finance and the transition

Embedding sustainability

One of our core investment beliefs is that sustainability is a fundamental investment issue that cannot be separated from economic investment factors.

We embed sustainability factors into the investment process, across relevant asset classes and all client portfolios.

We believe in doing our own fundamental investment research and the depth and breadth of our research is one of our distinguishing features. We have a highly experienced investment team who – given our low staff turnover – have worked together for many years. Our Portfolio Managers and research analysts all have specific sector and regional market experience with most of their work being driven by our own in-house proprietary research.

Each year our investment team spends thousands of hours digesting company reports, carrying out thorough industry analysis, and conducting external fund manager reviews. This effort is complemented by hundreds of meetings and phone calls with industry experts in relevant areas. To understand more about how a company works, we will speak to its management, current and former employees, customers, suppliers, and distributors, alongside spending time on data analysis and modelling cash flows.

The extensive nature of our research provides a solid foundation for investment decisions. We invest our clients' capital in a select number of investments in which we have a high degree of confidence and have conducted thorough due diligence on. We do not invest in a very large number of assets where we have little conviction, or have conducted limited research, or 'speculate' on assets we don't fully understand.

To support the efforts of our research analysts and Portfolio Managers, we have a dedicated Sustainability and Stewardship Team who inject expertise and data insights into the process. This includes highlighting material sustainability factors, collecting and interpreting key performance indicators of individual companies and highlighting areas for engagement.

The purpose of this work has three key elements:

- **The need to adapt:** businesses that manage sustainability risks well can better adapt to a changing world and should outperform over the long-term, whereas companies that manage these risks poorly are likely to impair intrinsic value over time. Therefore, we view developing an understanding of these risks as an essential aspect of our research and monitoring.
- **The opportunity to enable:** the same changes that impact the world and cause risks can also create opportunities. Companies that are well-positioned to provide environmental or social solutions to these challenges can take advantage of this. We identify businesses that enable key societal needs, and which do so in a competitively advantaged way. For example, the energy transition will require trillions of dollars in investment, and there will be companies that benefit from this multi-decade secular trend. These opportunities are a thematic way of investing, allocating to companies whose products or services have a direct link to positive environmental or social outcomes.
- **Our ability to transform:** we can influence companies and how they behave through active ownership. Our research and monitoring mean we can identify areas of improvement for companies and use our long-term relationships with management teams to provide constructive feedback. Given the high-quality nature of the businesses we own, we are focused on getting our companies from 'good' to 'great'. We believe active ownership, through collaborative or direct engagement, is the most meaningful way in which we – as investors – can influence real world outcomes on behalf of our clients.

EXCLUSIONS

Rothschild & Co has agreed on a common investment exclusion framework for its Wealth & Asset Management and Merchant Banking activities, focusing on three key areas:

1. Exclusion of companies that design and produce cluster munitions and/or land mines in accordance with the Oslo Convention (2008) and the Ottawa Treaty (1997).
2. Exclusion of companies which, to the Group's knowledge, may breach fundamental principles due to gross corporate misconduct. This includes severe infringements of human rights, substantial environmental damage, or companies linked with corruption and bribery activities.
3. Exclusion of companies involved directly in thermal coal production, as well as exploration, mining and processing, and power generation using thermal coal.

These exclusion policies are part of a comprehensive responsible investment framework for Wealth and Asset Management and Merchant Banking activities. They are compliant with the applicable regulations, aligned with our approach to ESG criteria integration among our investment strategies, and part of the businesses' response to manage ESG-inherent risks for our investors. These policies are available on our website.

In addition to the common exclusion framework, Rothschild & Co Wealth Management UK also avoids investing in companies that have meaningful involvement in certain industries or activities. These are our 'red lines' where there is clear evidence they contribute to social and environmental harm.

- **Controversial weapons**: the defence sector encompasses a broad range of activities, not all of which are directly linked to causing harm. In situations where a product is designed to cause harm, the potential impacts of their use, and how this aligns with one's values as an investor, is dependent on who takes possession of them. We recognise that views on the matter can range from a belief that it is never acceptable to gain financially from products designed to cause harm, through to a belief that those who live in peaceful and stable regions should be able to invest in companies that help defend them. We take the view that it is the role of democratically elected governments to set the parameters of which actors and actions are permissible, and our role as investors to adhere to these. As such, we do not have an outright exclusion on companies involved in the defence sector. However, we do exclude controversial weaponry, such as biological or chemical weapons, in addition to any activity in breach of the Oslo Convention and Ottawa Treaty, as such activity is inconsistent with global norms.
- **Gambling**: there are numerous poor social outcomes linked to gambling addiction, including drug and alcohol abuse.
- **Pornography**: there is strong evidence linking pornography to social exploitation, particularly of vulnerable women.
- **Tobacco**: smoking is one of the main causes of cardiovascular disease and cancer. A very high proportion of tobacco-related deaths occur in low and middle-income countries.

For these purposes we define meaningful involvement as more than 10% of revenues. Recognising the flawed nature of revenue thresholds, in practice we consider the extent, nature and direction of travel of these exposures, and may therefore exclude companies whose current exposure is under this threshold.

Outside of these red lines, there are sectors and businesses that face challenges from a long-term sustainability perspective but serve important purposes today. Mining and fossil fuels fall into this category. We recognise that in many instances these issues are not black and white and sometimes there are trade-offs. While we don't exclude these activities outright, they would need a higher level of scrutiny before we invest, including plans to transition business models.

If you have any questions on our approach, please contact your Client Adviser.

Sustainability Factors: the ‘E’, ‘S’ and ‘G’

E – Environmental factors

When evaluating a company’s environmental credentials, we assess how they contribute to and perform on environmental challenges, including – but not limited to – pollution, greenhouse gas emissions, climate change, water use, deforestation, environmental degradation, biodiversity, and plastic use. We aim to understand their current impact on the environment, as well as their potential future impact.

There is no doubt that climate-related risks and opportunities are increasingly important to investment outcomes over the long term. We believe all companies need to understand their environmental exposure and impact and be committed to reducing their footprint. Furthermore, we expect our investee companies and managers to have a clear understanding of the risks they face and to have a clear plan on how they will mitigate these risks.

S – Social factors

Social factors relate to how a company behaves towards its stakeholders including:

- **its workforce:** this involves considerations such as pay and diversity and inclusion
- **its customers:** aspects such as product safety and data security are important here
- **its suppliers:** these should be dealt with on fair terms with appropriate oversight
- **the broader communities** and societies in which it operates

Assessing social factors for a company is very different to assessing its environmental impact for two reasons. Firstly, at a very basic level, most enterprises have a negative environmental impact due to their use of energy and raw materials; however, their existence will be based on the provision of a product or service that their customers benefit from. Similarly, as a company grows, its impact on the environment may worsen, whereas its social contribution could increase if it were to create more jobs and pay more taxes.

Secondly, a company’s impact on many environmental factors can be measured quantitatively and evaluated from a scientific perspective. This is more challenging for social factors, resulting in the use of international norms and standards as assessment tools.

Despite these differences, social and environmental factors share a common characteristic: they can affect a company’s sustainability and financial performance if managed poorly. Therefore, we are only interested in investing in companies that take a long-term perspective and behave sustainably and fairly, creating ‘win-win’ outcomes for all stakeholders.

G – Governance

Ensuring high standards of corporate governance helps align the interests of company management teams with the interests of long-term shareholders. We believe that good corporate governance improves the quality of a business, which in turn leads to higher and more sustainable long-term returns.

More specifically, we want to make sure the companies in which we invest consider our interests as minority shareholders fairly. When assessing the corporate governance of potential investments, we consider a number of key areas:

- **Board composition:** we expect boards to have a majority of fully independent directors and prefer the roles of chairman and CEO to be split. We also want to see boards that are diverse in terms of background, gender and ethnicity, while recognising that companies may meet some but not all criteria. For example, a business founder or owner may retain a material interest in a business and a significant presence on the board. Therefore, we consider each company individually and verify whether our interests are sufficiently aligned with the decision makers.
- **Company culture:** we believe company culture emanates from the top. We evaluate incentive structures, management behaviour and commentary, as well as seek out external sources, which provide useful insights into a company’s working culture.

- **Shareholder rights:** we look for a shareholder structure where one share equals one vote. However, some companies have dual share classes in which a smaller group of owners retains control, so we assess each situation individually. Often, the actions of company management or the board provide useful insight. If our clients' interests are fully aligned with decision makers, we may still decide to invest.
- **Executive compensation:** we expect executive compensation to be fair and proportionate. We analyse executive compensation and assess whether incentives are aligned with long-term shareholders. We also look at the composition (fixed versus variable), magnitude, and metrics used to achieve pay outs.
- **Capital allocation:** capital allocation decisions by management form an integral part of our analysis of a company and our assessment of the quality of management. Through our engagement with companies, we try to hold management teams accountable for their decisions regarding mergers and acquisitions (M&A), dividend policy, buyback strategies, capital expenditure, and overall balance sheet management.
- **Company reporting:** we expect companies to report with clarity and transparency. In addition, we believe reporting on corporate social responsibility and environmental performance is a key source of insight into responsible business practices. The more reliable data a company can provide, the easier it is for investors to make informed decisions or engage with companies to improve things. We are therefore supportive of initiatives to develop this area and will reflect this through our engagement with companies and voting.

The breadth of these areas is a reason for conducting separate analysis on each; however, these factors are interrelated. For instance, the natural world provides many benefits that directly impact societies around the world. These include the food we eat, the water we drink, raw materials for many of the products we use, as well as nature's ability to provide recreation and inspiration.

Therefore, environmental degradation can result in short-term social challenges, including the threat to human life from extreme temperatures or weather events, as well as longer-term issues such as climate-related migration or political instability. Finally, how a company is governed will have a material bearing on how well environmental and social opportunities and risks are addressed.

The breadth of these areas is a reason for conducting separate analysis on each; however, these factors are interrelated.

Equities

Identifying high quality companies involves more than just looking at the numbers. It requires considering a range of factors alongside more traditional financial metrics.

Our investment team assesses and debates sustainability factors as an integral part of the investment process, just as we consider a company's competitive position, the sustainability of its business model, and the quality of its management. We care deeply about how these issues influence the companies we invest in, and all our investment professionals have this mindset.

In our view, treating these factors as a separate exercise dilutes their impact. We believe that the responsibility for sustainable investing and its implementation within the investment process sits with each member of our investment team.

We recognise that each industry and company face its own specific sustainability risks. Environmental impact and fuel efficiency, for example, matter more to an airline than a software company. Meanwhile, social media companies need robust privacy policies, and cybersecurity is vitally important for financial services firms. Therefore, we concentrate on the most material issues for each company and use this analysis to make more informed decisions. We use Linde – a global industrial gases business – as an example.

1. THEMATIC MATERIALITY ASSESSMENT:

The thematic materiality assessment includes an assessment of the following broad ESG themes based on the economic activity each portfolio company is involved in.

Linde

ENVIRONMENTAL THEMES	SOCIAL THEMES	GOVERNANCE THEMES
▪ Climate management and strategy ▪ Physical impacts of climate change ▪ Environmental stewardship ▪ Resource efficiency	▪ Human capital ▪ Supply chain ▪ Data stewardship ▪ Consumer welfare	▪ Board composition ▪ Executive compensation ▪ Capital allocation in relation to ESG targets ▪ Risk management

Linde: ESG materiality overview

HIGH	Climate management and strategy
HIGH	Physical impacts of climate change
HIGH	Environmental stewardship
HIGH	Resource efficiency
LOW	Human capital
MEDIUM	Supply chain
LOW	Data stewardship
LOW	Consumer welfare
MEDIUM	Board composition
MEDIUM	Executive compensation
HIGH	Capital allocation towards ESG targets
MEDIUM	Risk management

We assess each theme as being of 'Low', 'Medium', or 'High' materiality to the prospects of the company and therefore our investment case.

The material factors for a company are largely driven by what the product or service the company provides; but we also consider other aspects such as where a company operates and its history.

By nature, the output of this assessment is more stable than the following steps in the process, but essential in helping us focus our resources.

2. DATA AND INSIGHTS:

The next stage involves gathering data on how a company is performing on each theme. In addition to our own research, we use data provided by an external ESG research provider, MSCI ESG Research. We currently utilise around 80 discrete data points from the MSCI ESG database, including historical performance where possible. This gives us insight into the level of information available on the company, its current performance in several areas, and the direction of travel.

For an industrial gases company like Linde, as noted in the materiality assessment above, carbon emissions are of high importance. We therefore focus on the ESG Key Performance Indicators (KPIs) that relate to this. For instance, when evaluating Linde's carbon footprint, we consider the company's:

- Absolute emissions across Scopes 1, 2 and 3.
- Carbon intensity.
- Estimates of the emissions they enable their end customers to avoid.

In total, for Linde we monitor 36 data points relating to the themes we have assessed as being 'High'. We also track these metrics over time as data becomes available and evaluate whether Linde is performing in line with their own roadmap and our expectations. The table below is a snapshot of some of the data points we monitor for Linde.

ESG theme	Why it matters?	Data points monitored	Value	Thematic materiality
Environmental				
Climate management and strategy	Ability to compete in carbon budget constrained market	Scope 1 emissions (tCO_2e)	16,321,000	High
		Scope 2 emissions (tCO_2e)	21,413,000	High
		Scope 3 emissions (tCO_2e)	43,624,445	High
		Total GHG emissions (Scope 1+2) (tCO_2e)	37,734,000	High
		Carbon intensity (Scope 1+2 emissions/USD million sales)	1,225	High

Source: MSCI ESG Manager, accessed January 2023

3. QUALITATIVE ASSESSMENT:

Once we have identified the key ESG topics for a company and obtained data on how they are performing, the final stage of the process is considering this alongside our broader understanding of the company, including its strategy and culture, to identify whether the company is operating at an appropriate standard.

Any company held in client portfolios, or on our broader list of companies eligible for inclusion, will have met the required standard.

Linde – climate management and strategy theme

- Linde has a large absolute carbon footprint at circa 40 million metric tonnes of CO_2 equivalent ($MTCO_2e$) in 2021
- However, the company's products and services enable its customers to avoid more than twice its own level of emissions – 88 million $MTCO_2e$ – in the same period
- We have therefore concluded that Linde is enabling the transition to a net zero global economy
- The company's positive trajectory has been reinforced by its recent shift from a carbon intensity target to an absolute emissions target – aiming for a 35% reduction from 2021 levels by 2035, and climate neutrality by 2050. This is based on utilising 100% renewable power and the development of carbon capture and storage projects.

This process is repeated for all companies twice a year and may also be conducted on an ad hoc basis. The insights and conclusions from this process are considered alongside the broader operating performance of the companies we cover, providing us with a holistic perspective and ensuring that any subsequent discussions with companies can be managed effectively.

Fixed income

There are key differences between the characteristics of the fixed income holdings and the equity holdings in our portfolios, which affect our approach to integrating sustainability analysis and the potential for engagement with issuers.

Our fixed income universe currently consists of developed market governments, approximately 40 supranational agencies and over 100 investment-grade corporates. An approved list of issuers is maintained by our fixed income team. Approved issuers are monitored on an ongoing basis and tend to be there for long periods of time, even if we don't own any bonds or only invest in short-dated maturities. As such, we take a long-term view on the sustainability aspects of an issuer regardless of the duration of the paper we own.

Our fixed income investments serve as a defensive component in portfolios. Due to the nature of fixed income securities, the upside is limited – we receive regular coupons and our principal back at maturity – and the downside is potentially large in case of a default or restructuring.

As a result, we believe it makes sense to diversify exposure in portfolios across many issuers, which in turn requires a more systematic approach to ESG integration, utilising data points and ratings provided by MSCI.

The number of data points tracked for fixed income issuers expanded in 2022. New additions included several of the Principle Adverse Indicators (PAIs) under EU Sustainable Finance Disclosure Regulation (SFDR), others currently lack data coverage, as well as whether corporate issuers:

a) have carbon emissions reduction targets aligned with the Paris Agreement; or

b) generate at least 20% of their revenues from products or services contributing to one or more social objectives

And sovereign issuers:

a) have a credible carbon emission reduction trajectory; or

b) the country has ratified key environmental conventions and demonstrates good performances regarding corruption, rule of law, taxes, fundamental human rights, freedom, and inequality reduction.

Further development to our fixed income processes is planned for 2023. We are looking to translate enhancements made to the equities process to corporate issuers. This involves the addition of the thematic materiality assessment to corporate issuers, as well as establishing the situations where we would consider engaging with an issuer and how this would be done.

Third-party funds

We partner with a very select group of third-party managers across our business and typically look for the same characteristics and investment philosophy that we apply for our own direct company holdings. The starting point for a relationship is to get a sense of partnership and build trust in the people and the process. This will allow us to invest with a fund manager over the long term.

The managers we invest in must – at a minimum – satisfy the following three criteria:

- **Alignment:** beliefs and values are substantially the same as ours, and the management fees are fair
- **Integrity:** actions speak louder than words, which is how we build trust in a manager
- **Transparency and access:** full insight into the portfolio and investment decisions

We utilise third-party fund managers both on the Return Asset side of the portfolio as well as the Diversifying side. On the Return Asset side, we are predominantly looking at managers that invest in equity securities. Those managers are facing similar sustainability questions as we are. Compared to direct equity investments, there are additional challenges involved when selecting external funds because we are giving discretion to another team of investors. That said, we can influence our managers to drive their sustainability efforts.

We evaluate managers on two levels from a sustainability perspective, at a firm and at a fund level.

FIRM-LEVEL CONSIDERATIONS

Here we look to gain insight on how the manager is addressing sustainability factors and stewardship by considering:

- firm-level commitments
- whether the firm has allocated dedicated resourcing and oversight to sustainability efforts
- how policies are being used to advance the firm's sustainability agenda and how these intersect with Rothschild & Co Wealth Management UK policies
- the quality of reporting on firm-wide sustainability efforts; and
- how the manager uses active ownership via engagement and/or voting to influence investee companies in accordance with a sustainable future

We evaluate managers on two levels from a sustainability perspective, at a firm and at a fund level.

With respect to active ownership, we expect our managers to vote on our behalf in shareholder meetings where they have the right to do so. As with investment decisions, our managers have complete discretion on how to vote, but we expect them to report back to us on important voting decisions.

We track progression of each firm's sustainability profile and will engage with managers to encourage and share best practice. We use this qualitative approach to address the nuances that may be faced by each manager by virtue of regional or size-related restrictions. We also consider this sustainability evaluation process as an integral part to both our investment and operational due diligence process of external third-party fund managers.

FUND-LEVEL CONSIDERATIONS

At the fund-level, we:

- look for sustainability related objectives
- continuously monitor for any controversial exposures in breach of our red lines
- track manager reported ESG metrics as well as an internal set of key performance indicators
- evaluate fund specific active ownership efforts.

This analysis is conducted twice a year, led by the Sustainability and Stewardship Team in partnership with the funds research team to ensure cohesion of perspectives across the firm. We consider this an integral part to both our investment and operational due diligence process of external third-party fund managers.

THE CHALLENGE WITH DIVERSIFIER FUNDS

We have put a lot of thought into the Diversifying Assets in the portfolio, both from a portfolio construction and sustainability point of view. From a portfolio construction perspective, alternative strategies such as trend-following and tail risk hedging are a key component of our wealth preservation strategy, making portfolios more robust in challenging markets. From a sustainability perspective there is a challenge in applying an ESG or an active ownership framework in the same way as we do for companies. Reasons for this include:

- **Investments are not linked to individual companies** – the financial instruments held within these funds and strategies mostly correspond to broad indices, currencies, and or commodities. This means there is not a specific entity to engage with and judgements about the sustainability of the investment require making broad generalisations
- **Investments can be derivative based** – these funds also use derivatives to implement their strategies. These securities have no ownership or voting rights and any influence on the cost of capital for companies is indirect.
- **Exposures can be long or short** – these strategies can position themselves to profit from either an increase or a decline in the price of the underlying asset. This complicates the picture in the event of an aversion to a particular asset
- **Strategies can be systematic in nature** – day-to-day positioning in systematic funds is driven by computer programmes with limited human discretion
- **Trading can be continuous** – positions may change frequently, rendering analysis or active engagement futile

We are comfortable that holding investments of this nature is consistent with our purpose and duty to our clients. Despite these challenges, we continue to explore these areas and are receptive to new insights that may emerge.

Section three – Active ownership

Engagement

Companies globally can be credited with improving the living standards of billions of people through the provision of products and services and the associated employment opportunities and investor returns. As providers of capital, and holders of shareholder rights, investors occupy positions of influence over companies. This privilege also brings the responsibility to use this influence in a manner that is consistent with our duty to our clients.

As active owners of our investments, we can be agents for change – influencing the ways companies and fund managers manage their sustainability risks and opportunities, both those that are specific to their organisation and those that are systemic in nature.

If we can encourage companies to operate more sustainably, this will not only lead to better investment outcomes, but will also ultimately create more positive outcomes for society and the environment, as we believe these factors are all interconnected over the long-term.

This view applies to all direct investments we make in companies on a discretionary basis. We anticipate the nature of this work will be encouraging 'good to great' changes rather than responses to controversies, although we are also prepared to address the latter if they arise.

When a reason to engage with a company does arise, there are three elements we need to consider before taking action.

1. Importance – could the subject have a bearing on the company's long-term success?

We recognise that neither we, nor company management or boards, have unlimited bandwidth. Therefore, it is important we deploy the time and resources we do have towards the topics that are most material to a company's financial position today or could conceivably have a meaningful impact in the future.

Given our intensive, research-driven approach, we don't expect to regularly encounter new material topics to discuss with investee companies, because significant concerns would normally preclude investment in the first place. However, we recognise that no company is perfect, and missteps happen. We also appreciate that just as we are on a journey with regards to sustainability, many companies are on a journey of their own.

There are also topics that may be important to other stakeholders, but less so to us as investors, which leads us onto the next element to consider.

2. Impetus – is acting on the subject consistent with our role as investors?

The proximity investors build with companies through their due diligence and monitoring work, and the associated relationships formed with boards and executives, results in investors being well placed to promote issues and standards. This is furthered when rights, such as voting rights, are attached to securities.

For certain topics, such as the fair treatment of minority shareholders, the responsibility to address issues clearly lies with the holders of a company's securities. However, when the issue relates to a topic that is more systemic in nature, investors need to carefully consider the boundaries of their mandates and avoid venturing too far into the political realm. The importance of topics such as climate change and the upholding of human rights, and the important role businesses can play in addressing them, are supported by global agreements; therefore, investors have legitimate cause to engage on these topics with companies. For other topics, such as economic inequality, investors should act with care to avoid pursuing an agenda that is not supported by a broad consensus, deliberately or not, as doing so may weaken trust in financial markets.

3. Influence – are we in a position to have an effective dialogue with the company?

Our preference for managing concentrated portfolios, combined with the scale of our business, means we are material shareholders in many cases. This allows us to establish trusted relationships with management.

We view engagement as an ongoing conversation; we listen to the challenges companies face and provide honest feedback as shareholders. This collaborative approach allows us to build rapport and develop mutual respect. Through this direct dialogue, we believe we can use our influence to make a difference.

As part of both our pre-investment due diligence and ongoing monitoring, we aim to speak to those who can help us build our understanding of a company's operations, the competitive landscape in which they operate and material sustainability issues. This gives us a broad perspective and the ability to provide companies with recommendations based on our understanding of the industry they operate in, but also our knowledge across industries and geographies.

As well as investing in equities, we also invest in companies though fixed income securities and indirectly via third-party funds.

The characteristics of our portfolios' fixed income exposure differ significantly from our equity holdings. Key differences include the level of diversification needed, and therefore the number of issuers we deal with, the time horizon with a fixed maturity (often much shorter term), and the nature of the issuers (mostly governments and supranational entities). These factors mean it is much more difficult to access management and engage effectively with issuers.

When selecting external managers, we look for a specific type of manager who we believe we can trust, which will allow us to partner with them over the long term. For each manager, we create a framework that incorporates their firm's policies, processes and portfolios. These guide our discussions with the managers so that we can ensure they are meeting our sustainability requirements and help us to monitor progress.

We expect our managers to report to us formally once a year about their stewardship activities, including engagements and proxy voting activity.

If a manager does not meet our minimum expectations, we will set a timeline to implement processes and make improvements. If a manager does not respond in a satisfactory way by the end of this timeline, we will ultimately decide to redeem the holding.

ESCALATION

When engaging with a company or external manager, we expect a clear strategy and timetable for addressing any issues in question, which we then monitor closely. Our engagement is considered a success when we see positive change, but we acknowledge that these issues are often very complex, and patience is nearly always required.

If we felt management were not responding appropriately, or our engagement led us to conclude that the longer-term sustainability of the investment had been irreparably impaired, we would sell our holding.

Given our approach to investment selection and monitoring, we do not anticipate needing to escalate our stewardship activities on a regular basis.

In our frequent meetings and discussions with investee companies and managers, we seek open and constructive dialogue and are not afraid to address difficult topics. We believe this approach allows us to resolve most of our concerns.

Where concerns are not resolved, we will consider the following escalation options:

- Contacting a company's investor relations team for explanation or clarification
- Holding additional meetings with management
- Escalating to board members
- Utilising our voting rights
- Engaging in collective action.

Rather than applying a blanket approach, any decision to escalate an issue will be done on a case-by-case basis. The relatively concentrated nature of our portfolios means we can tailor our approach to what we deem to be the most appropriate course of action for the company or manager in question, regardless of geography. With all the above actions, we ensure that meeting minutes are documented and shared among the investment team. Specific objectives and timelines will be included where relevant. If these escalation options do not resolve our concerns, we may ultimately sell a company's shares if we determine it is in our clients' best interests to do so.

COLLABORATIVE ENGAGEMENT

As long-term investors, we aim to maintain strong direct relationships with the companies in which we invest, and our collaborative approach facilitates direct engagement in most instances.

While our general preference is to engage with management directly and in private, we are also open to collaborative engagement if other avenues stall. We recognise that a body representing a wide range of investor views can be a particularly effective way of bringing about change. Therefore, we will initiate or join collective actions if we believe it is in our clients' best interests to do so and constructive engagement with an investee company has failed.

We have been members of the UK Investor Forum since 2017. This organisation promotes best practice for stewardship and facilitates collective engagement with UK companies. Given the concentrated and global nature of our portfolios, it is not always the case that the Forum will be focusing on any of our portfolio companies in any given year; however, we find their resources useful when considering our practices more generally.

We are also a signatory to the UN PRI, which offers opportunities for collaborative engagement, and we regularly monitor and consider these avenues if we think this is in our clients' interests.

In recent years we have identified and conducted due diligence on several industry initiatives that we believe are aligned with our philosophy and our clients' interests. This resulted in us joining the 'Say on Climate' campaign and Climate Action 100+ in 2021. Part of the rationale for joining these initiatives was to broaden our network and facilitate opportunities to join specific collaborative engagement activities.

Finally, we continually collaborate with the other investment management divisions within the Rothschild & Co Group to share best practice and coordinate on issues that impact us all. Differences in the markets that we operate in and the clients we serve mean there is often little overlap in holdings across entities. However, where there are holdings in common, we could work collectively with an issuer in the event of a cause to engage.

Voting

An important aspect of our active ownership, and one of the key tools we have to influence companies alongside engagement, is exercising our rights as shareholders through proxy voting at company shareholder meetings. Our approach is:

1. COMPREHENSIVE

We view voting the shares held in discretionary portfolios as an important part of our active ownership approach and our fiduciary duty to our clients. Therefore, we aim to vote on all holdings where we have the ability to do so. All our actions in this area are motivated by a drive to vote in a manner that ensures that the interests of our clients are best served in the long run. All discretionary holdings of a particular company will be voted in the same way. Clients can direct votes on positions held on an execution-only basis.

As a matter of course, we do not lend client stock. Rothschild & Co Wealth Management UK's custodian has no stock-lending arrangements in place either within the Rothschild & Co Group or with other financial institutions. Our voting ability is therefore unrestricted. For certain reasons, such as better liquidity, we may decide to hold non-voting shares of companies. In these cases, we will usually still review materials circulated for the AGM and the outcomes of the meeting.

2. CASE-BY-CASE

The relatively concentrated nature of our holdings means we can assess all resolutions internally, without the services of a proxy adviser.

It also means we do not need to deploy a rigid framework, directing votes in a certain direction based on specific conditions. Instead, we take the time to understand any nuances and idiosyncrasies about the company in question.

Given our pursuit of investments in high-quality businesses, most of the resolutions we vote on, and the associated recommendations from the board, are not controversial and do not require lengthy discussions. But others do, and there can be many reasons for this. These include votes on specific topic where there has been poor performance, a controversy or negative publicity, or votes relating to systemic issues such as climate change. Extra attention is also paid to resolutions put forward by fellow shareholders, as in general, their interests could align with ours. In cases where a resolution does require more consideration, the relevant members of the investment team will be involved in the decision process and the reasons for a given conclusion are documented. These decisions will involve the Co-Heads of Portfolio Management, the lead analyst on the stock, and the Sustainability and Stewardship Team.

3. COMMUNICATION

Since we expect transparency from our companies and their management, we strive to reciprocate. Generally, we aim to discuss and resolve any concerns with management through our engagement, and if we decide to abstain or vote against the company, we aim to communicate this to management beforehand.

Our annual Sustainability and Stewardship Report provides our clients with our voting record on an annual basis and we also provide quarterly updates. We provide detail on the total number of resolutions voted on, their nature and whether we voted with or against the recommendations of a board. We provide the rationale for certain voting decisions, including but not limited to those where we voted against the recommendations of a board. We are also happy to share information on an ad hoc basis upon client request.

We expect our third-party managers to exercise their voting rights wherever possible. Ideally, the actions of our third-party managers are supported by a proxy voting policy. We give full discretion to third-party managers on how to vote, but we expect them to report back to us on their proxy voting record on an annual basis. Where managers have voted against company management, or a vote was contentious and they voted in favour, we expect to receive a detailed rationale.

Section four – Our partners

Service providers

The availability of ESG data and the complexity of gathering that data is increasing every year. As previously mentioned, we complement our own proprietary research with the services of a third-party data specialist, MSCI.

MSCI's ESG research does not replace our own thorough due diligence, but their data can provide additional insights into the companies we own, both directly and through our third-party managers.

Industry initiatives

ROTHSCHILD & CO WEALTH MANAGEMENT UK

PRI Principles for Responsible Investment

The PRI is the world's leading proponent of responsible investment. It works to:

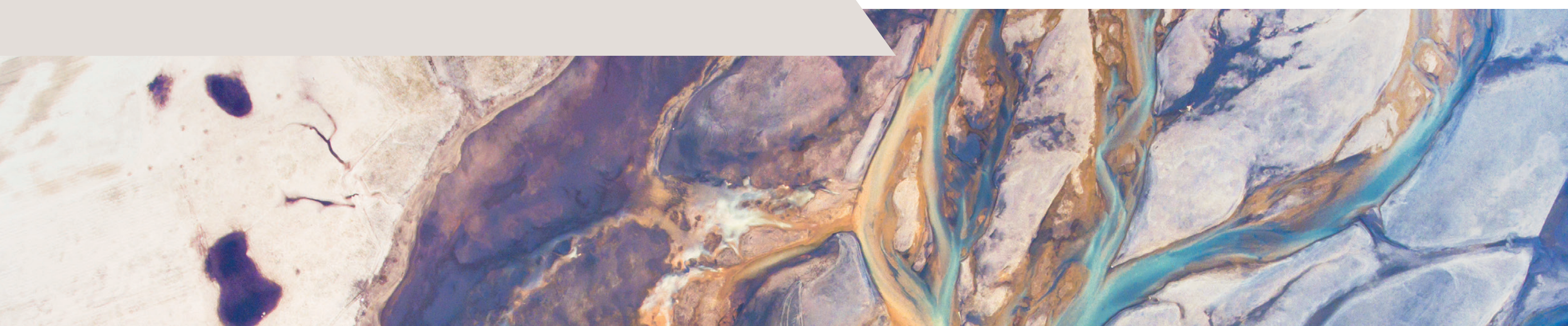
- understand the investment implications of environmental, social and governance (ESG) factors
- support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

All investment business divisions at Rothschild & Co are UN PRI signatories. Rothschild & Co Wealth Management UK has been a signatory since 2018.

THE INVESTOR FORUM

The Investor Forum's purpose is to position stewardship at the heart of investment decision-making by facilitating dialogue, creating long- term solutions and enhancing value.

Rothschild & Co Wealth Management UK has been a member since 2017.



Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Rothschild & Co Wealth Management UK joined the initiative in 2021.

UK Stewardship Code

The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long- term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Rothschild & Co Wealth Management UK was a signatory of the previous Code and has been a signatory of the current Code since 2021.

Say on Climate

Say on Climate is an initiative encouraging shareholder voting on climate transition plans which calls for companies to publish a 'Climate Transition Action Plan' and to submit these to a shareholder vote annually.

Rothschild & Co Wealth Management UK announced its support in 2021.

Across the Rothschild & Co Group

UN Global Compact Signatory since January 2021	**PRI** Principles for Responsible Investment All investment business entities have signatory status	**CDP** Investor Signatory since 2017; regular climate change disclosure reporting	**FRANCE INVEST CHARTER FOR GENDER EQUALITY** Rothschild Martin Maurel SCS and Five Arrows Managers SAS have been signatories since 2020
Climate Action 100+ Rothschild & Co Asset Management Europe has been a signatory since 2019	**WOMEN IN FINANCE CHARTER** N.M. Rothschild & Sons Limited has been a signatory since 2019; commitments have been expanded to the entire Group	**INITIATIVE CLIMAT INTERNATIONAL** Five Arrows Managers SAS has been a signatory since 2018	**Advance** GENDER EQUALITY IN BUSINESS Rothschild & Co Bank AG has been a signatory since 2020
Swiss Sustainable Finance Rothschild & Co Bank AG has been a signatory since 2021	**NET ZERO ASSET MANAGERS INITIATIVE** Rothschild & Co Asset Management Europe has been a signatory since 2021	**INVESTORS COALITION FOR A JUST TRANSITION** Rothschild & Co Asset Management Europe has been a signatory since 2021	**LE CERCLE ROBECO POUR UNE BANQUE PRIVÉE DURABLE** Rothschild Martin Maurel is a member since 2021

Section five – Communications

Keeping clients informed

While our client base covers a large and diverse group of clients, we have certain clients for whom our sustainability and stewardship related activities are key considerations. These clients' expectations are very developed and well-articulated.

We aim to report our activities and information about portfolios to our clients in a fair, balanced, and approachable way. This is in line with our general approach to client reporting, which we design to be user friendly, free of jargon and relevant. We are transparent about parts of the portfolio that are performing well and those which are performing less well, and the reasons why. The same applies to our reporting on sustainability and stewardship. During our regular review meetings, we also seek feedback from clients on the improvements they would like to see in our reporting.

In line with industry developments, there is greater demand from our clients for more regular reporting on ESG metrics at a portfolio level.

We took this feedback on board and incorporated these improvements into our client reporting in 2021. We now provide quarterly engagement highlights, including company milestones and voting activity, in our quarterly reviews. As of Q4 2021, we also include sustainability metrics for the Return Assets held in our core New Court and Exbury strategies, as well as an overview of the carbon emissions and related disclosures and targets of the individual companies held.

We aim to report our activities and information about portfolios to our clients in a fair, balanced, and approachable way. This is in line with our general approach to client reporting, which we design to be user friendly, free of jargon and relevant.

Example ESG Metrics

Quantifying environmental, social and governance factors across the portfolio's Return Assets

Metric	Definition	Portfolio level	Market comparator
Environmental			
Carbon footprint (Scope 1+2)	Total Scope 1+2 carbon emissions per $1m invested (Mt. CO_2 per $1m invested)	109	96
Weighted average carbon intensity (Scope 1+2)	Measure of exposure to carbon-intensive companies, achieved by calculating the carbon intensity of each holding and then the weighted average by portfolio weight. (Mt. CO_2e/$m EVIC)	57	52
Carbon emissions disclosure (Scope 1+2)	Percentage of companies reporting their Scope 1+2 emissions	62%	82%
Carbon emissions reduction target	Percentage of portfolio companies with an emissions target	67%	77%
Social			
Sustainable business practices (UN Global Compact)	Percentage of portfolio companies compliant with UN Global Compact principles	98%	82%
Diversity programmes	Percentage of companies compliant with workplace diversity programmes	56%	73%
Governance			
Board Independence	Percentage of portfolio companies whose boards are more than 50% independent	93%	91%
Significant Vote Against Pay practices	Percentage of portfolio companies invested in companies with where the companies have received a negative vote in excess of 10% against its pay policies and practices	29%	34%
At least 30% of board are female	Percentage of portfolio companies where more than 30% of the board are female	70%	54%

Source: Rothschild & Co, MSCI ESG Manager, Bloomberg.

- The above analysis relates to the portfolio's Return Assets on a 'look-through basis, i.e. it includes companies held both directly and via third-party fund holdings.
- The 'portfolio' is representative of the GBP New Court Balanced strategy as at 31 December 2022.
- All companies covered by MSCI ESG data are included in the environmental metrics, those providing no data have a zero value. Only companies providing data are included in the calculation of the social and governance metrics. Coverage for both the portfolio and the comparator is typically above 90%, although these numbers will fluctuate.
- The 'market comparator portfolio' comprises the largest 2,000 free-float market-capitalisation-weighted global equities subject to a minimum market cap of USD 5.5 billion and a free float of at least 50%, using Bloomberg data.
- This information is provided on a best endeavours basis and is reliant on third party data providers and may be subject to potential pricing delays and indicative numbers where noted as such.

Carbon emissions disclosures and targets

Example reporting for portfolio companies, as at 31 December 2022

Company	Total emissions (Scope 1+2)	Disclose carbon emissions?	Disclose to CPD?[1]	Report in line with TCFD[2]	Has reduction target?	Net zero target	Reduction interim target?	Interim target year	Target reduction %	SBTi commitment or approval[3]
Admiral	1514	Yes	Yes	✓	✓	2050	✕			✕
American Express	109644	Yes	Yes	✓	✓	2035	✕			✓
Ashtead	318970	Yes	Yes	✕	✕		✓	2030	35	✕
Berkshire Hathaway	67426581	No	No	✕	✕		✕			✕
Booking Holdings	1356	Yes	Yes	✕	✓	2040	✓		95	✓
Cable One	23892	No	No	✕	✕		✕			✕
Charter Communication	1433532	Yes	No	✓	✓	2035	✕			✕
Comcast	2071035	Yes	Yes	✓	✓	2035	✓	2030	50	✕
Constellation Software	28755	No	No	✕	✕		✕			✕
Deere	1416333	Yes	Yes	✓	✓		✓	2022	15	✓
Eurofins	15200	No	Yes	✓	✓	2025	✕			✕
Linde	36310000	Yes	Yes	✓	✓	2050	✓	2035	35	✓
Mastercard	55759	Yes	Yes	✓	✓	2040	✓	2025	42	✓
Microsoft	486901	Yes	Yes	✓	✓	2030	✕			✓
Moody’s	7826	Yes	Yes	✓	✓	2050	✓	2030	50	✓
Ryanair	5043498	Yes	Yes	✓	✓	2050	✓	2030	10	✓
S&P Global	18687	Yes	Yes	✓	✓	2050	✓	2025	25	✓

Changes since last quarter in red

Source: Rothschild & Co, MSCI ESG Manager, company data

[1] CDP refers to the “Carbon Disclosure Project”, a central body that systematically looks at a company’s carbon disclosure thus indicating a certain level of reliability of said emissions disclosure

[2] TCFD – The Task Force on Climate-Related Financial Disclosures was created in 2015 by the Financial Stability Board to develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders

[3] SBTi – refers to “The Science Based Targets Initiative”. This defines and promote best practice in emissions reductions and setting net-zero targets in line with climate science. A target approved by the SBTi indicates a degree of scrutiny to the company’s net zero targets

Berkshire Hathaway does not have an interim target, but two of its subsidiaries which constitute 90% of the holding company’s carbon emissions – BNFS Railway and Berkshire Hathaway Energy – do have an interim target to reduce their greenhouse gas emissions by 48% by 2050.

We categorise Deere as having a net zero target due to the company having committed to the SBTi. We continue to monitor their efforts towards target setting in this regard.

Eurofins partially discloses to the CDP and has internal look-through on the emissions profiles of the majority of the business. This internal look-through capability has informed the company’s view on setting their carbon neutrality target.

Eurofins partially reports in line with TCFD in their annual ESG report.

Companies are illustrative only. The investments may or may not be investments in the relevant portfolio strategy at time of presentation.

A listing of all investments in the relevant strategy is available upon request.

Active ownership highlights

Q4 2022

Active ownership

Ryanair

Attended the Aviation Sustainability Day at Trinity College Dublin, organised by Ryanair.

Consulted by the board with regard to Michael O'Leary's new contract.

Berkshire Hathaway

Various interactions with fellow investors as part of Climate Action 100+ Group with the aim of forcing the company to improve climate-related disclosures.

Company/fund news

Linde

Joined the UN Global Compact[1] 2035 absolute emissions reduction approved by SBTi[2].

Achieved industry-leading scores in S&P Global Corporate Sustainability Assessment. Linde was ranked in the 99th percentile (of more than 400 chemicals companies) for its overall ESG performance; in the 100th percentile for the environment; and also ranked highly in the social and governance categories.

Microsoft

Microsoft's first-ever report on median pay showed employees are at pay parity across race and gender when adjusting for tenure and seniority. However, without making these adjustments, the median pay for women and non-white employees is lower. Microsoft have pledged to increase representation for women and racial and ethnic minorities at more senior levels to address the imbalance.

Exemplar Global Equity Fund

Published their first ESG policy.

Voting activity

We voted on eight resolutions for one portfolio company (Microsoft).

We voted in-line with the recommendations of the board, which meant voting for the re-election of the directors on the board, executive compensation and the ongoing appointment of the auditor; and against six shareholder proposals.

We internally review all resolutions at all meetings, and are especially mindful of resolutions put forward by fellow shareholders, whose interests could well be aligned with ours.

In these cases we determine that the positions taken by Microsoft were appropriate and the results of the votes matched our decisions.

Source: Rothschild & Co.

[1]The UN Global Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles.

[2]The Science Based Targets (SBTi) defines and promotes best practices in emissions reductions and net-zero targets in line with climate science.

None of the above constitutes a solicitation, recommendation or promotion.

ESG KPIs – Our thoughts on metrics and good reporting

For several years now, investors, including ourselves, have been encouraging the companies we invest in to provide more information on key ESG issues, such as carbon emissions and workforce diversity. This can benefit both the companies themselves – enabling them to identify and manage risks and opportunities – as well as investors, helping them to do the same across their portfolios. This process is ongoing, but now the expectations are shifting back on to us and fellow investors.

Growing client interest is a key driver of this, but so is regulation. This includes the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy in Europe, as well as the FCA's upcoming requirement for managers in the UK to disclose key climate metrics, following TCFD (Task Force on Climate Related Financial Disclosures) recommendations.

We have been stepping up our own efforts accordingly and are sharing more data of this nature with our clients. There are two important conclusions from the work we have done to date.

The first is that the sustainability of a company cannot be deduced from a single number or rating. Any analyst needs to 'look behind the numbers'.

The second important consideration is the difference between changes in portfolio level metrics and real-world change. For example, reducing the level of emissions associated with a portfolio can be easily achieved by simply selling companies with the highest emissions and switching into those with the lowest emissions. This could be achieved, for example, by swapping industrial and manufacturing companies for asset-light technology companies.

But simply selling your shares to another investor has no impact on a company's emissions.

This prompts the question: faced with these issues, what should we do? A credible way of reducing the myriad of important ESG data points, both existing and yet to exist, into a single metric may remain forever illusive. However, these data points can form part of a wider mosaic that informs the analysis or portfolio manager. It can help us deepen our understanding of the risks and opportunities companies face regarding the transition to a more sustainable global economy, and in turn, help the companies make better decisions for the future.

Section six – Governance and oversight

Governance at Rothschild & Co Wealth Management UK

Within Rothschild & Co Wealth Management, responsibility for stewardship rests with the Co-Heads of Portfolio Management, who set the investment strategy and direct the investment team's activities.

Investment decisions are made by the four Co-Heads of Portfolio Management and implemented by the specialist portfolio management team across all discretionary portfolio models. While there is an official Investment Committee meeting every week, decisions can be taken at any point in time.

The Co-Heads of Portfolio Management have a wealth of investment experience and have worked together for more than a decade. They report directly to Helen Watson, the CEO of Rothschild & Co Wealth Management UK.

As part of their oversight, the Co-Heads of Portfolio Management ensure that sustainability factors are fully embedded in the research, from the idea generation stage through to the ongoing monitoring of existing investments. They also drive the evolution of ESG processes, set the agenda for engagements and start new initiatives. The wider investment team is made up over 20 experienced individuals. Each member of the investment team plays an important role in considering stewardship in their research and analysis and integrating this into the investment process.

Our approach to climate risk continues to evolve, and we are exploring and utilising new tools to evaluate it. As more data becomes available, we will be incorporating this into our analysis. We see continuous development at MSCI ESG Research, who have been developing their Climate Value-at-Risk and Implied Temperature Rise tools.

Climate-related risks and opportunities remain key considerations for Rothschild & Co Wealth Management UK, as well as the wider Rothschild & Co Group. Across the Group, we are considering policies aimed at the assessment and management of climate-related risks and opportunities across investment activities.

TCFD provides structured recommendations around disclosure across four key areas:

1. Governance and strategy
2. Risk management
3. Metrics
4. Targets

Focus on climate change as a systemic risk

Our bottom-up investment approach means we focus on the topics that are material for each investment. These topics will vary across industries and asset classes. However, there are issues that transcend industry and asset class boundaries, with the capacity to change the investment landscape for all companies in profound ways. Climate change is a prime example.

Climate change poses significant physical and transitional risks, but it also creates opportunities for companies that are providing solutions to mitigate climate change or that enable themselves or others to adapt to its effects. These trends are being expedited by changes in government policies around the world, new regulations and shifting consumer attitudes.

We have considered the potential impact of climate change on our portfolio holdings for some time, and our process continues to evolve as the world around us changes and companies get better at reporting relevant data. Our analysis of climate risk is factored into our long-term value assessment of individual investments.

Importantly, as an active investor, we support resolutions at company meetings that encourage companies to develop their reporting because this is aligned with our clients' long-term interests.

Regarding measuring and monitoring climate risk, we have set a clear agenda of our expectations from companies on their climate-related disclosure. Companies must:

1. Report emissions and climate risks
2. Have a clear and credible plan to get to net zero
3. Monitor and set milestones

These three points are standing items in our discussions with company management and will inform our decision-making on climate-related proxy voting.

In 2020, we started mapping the carbon footprint of our portfolios and have since been able to increase the scope of our analysis given increased data disclosure by companies and investment in tools provided by our ESG research provider MSCI. We have intensified our engagement on climate risk with the companies and managers we invest in and continue to join industry initiatives to drive this agenda and seek opportunities for collaboration with other investors. We recognise the important role that these collaborations can play and announced our support for 'Say on Climate' and joined Climate Action 100+ in 2021.

Our approach to climate risk continues to evolve, and we are exploring and utilising new tools to evaluate it.

Sustainability Forum

As our approach to embedding sustainability considerations and stewardship has evolved, we have recognised the need to put more structure around this and dedicate more resources to it. In 2019, we established a Sustainability Forum, which comprises a group of 'Sustainability champions'. They are responsible for ensuring our stewardship activities are coordinated across Rothschild & Co Wealth Management UK and between the investment and client-facing teams. The Forum consists of three members from the investment team and two members from the client team.

The members of the Sustainability Forum meet fortnightly to discuss a range of topics, including:

- Internal and external communication
- Client and staff education
- Active ownership
- Process developments
- Our offering
- Reviewing policies
- Industry initiatives

Sustainability Forum

Michel Van Der Spek (23)

Co-Head of Portfolio Management

Tracy Collins (24)

Client Adviser

Dan Drain (13)

Portfolio Manager and Sustainability Strategist

Poppy Foster (7)

Client Adviser

Nana Baffour (4)

Sustainability Research Specialist

*numbers in brackets indicate years of experience

Group governance of sustainability matters

The Supervisory Board carries out the ongoing supervision of our Company's management. In this context, it considers sustainability issues at the initiation of senior management unless the Supervisory Board itself identifies an opportunity to discuss. A dedicated Sustainability Committee composed of three members of the Supervisory Board meets at least twice per year and has been given the mission to assist the Supervisory Board in:

- ensuring that the Rothschild & Co Group considers environmental, social and societal as well as business practice-related issues, in line with strategic priorities for the business
- ensuring that the Rothschild & Co Group is positioned to best identify, and address opportunities and risks associated therewith and
- monitoring and reviewing (i) the strategic priorities, policies implemented, and objectives set by the Group relating to sustainability matters, and (ii) the Sustainability Report included in the Rothschild & Co Management Report.

In addition, the sustainability strategy is presented to the Supervisory Board at least once a year and discussed as part of the meetings of the Audit and Risk Committee of the Board, or informally considered ad hoc throughout the year.

Rothschild & Co Gestion, the Managing Partner, defines the Group's ambition for sustainability integration into Group strategy, and group-wide strategic priorities.

The Group Executive Committee (GEC)'s role is to propose strategic directions to Rothschild & Co Gestion, including in relation to sustainability, and to assist the Managing Partner in overseeing the implementation of the strategy across the Group and the operational management of the Group. One member of the GEC is responsible for sustainability topics. Sustainability matters are discussed in the regular meetings of the GEC any time as required (in more than 80% of the meetings in 2021).

Divisional Management Committees for Wealth & Asset Management, Merchant Banking and Global Advisory are responsible for the integration of group-wide ESG priorities in their business-line strategy.

Overview of dedicated committees supporting the GEC

Group Balance & Inclusion Committee

Committed to creating a diverse, inclusive and flexible environment which enables all colleagues to achieve their personal and professional aspirations, and to ensure that we provide long-term opportunities for growth.

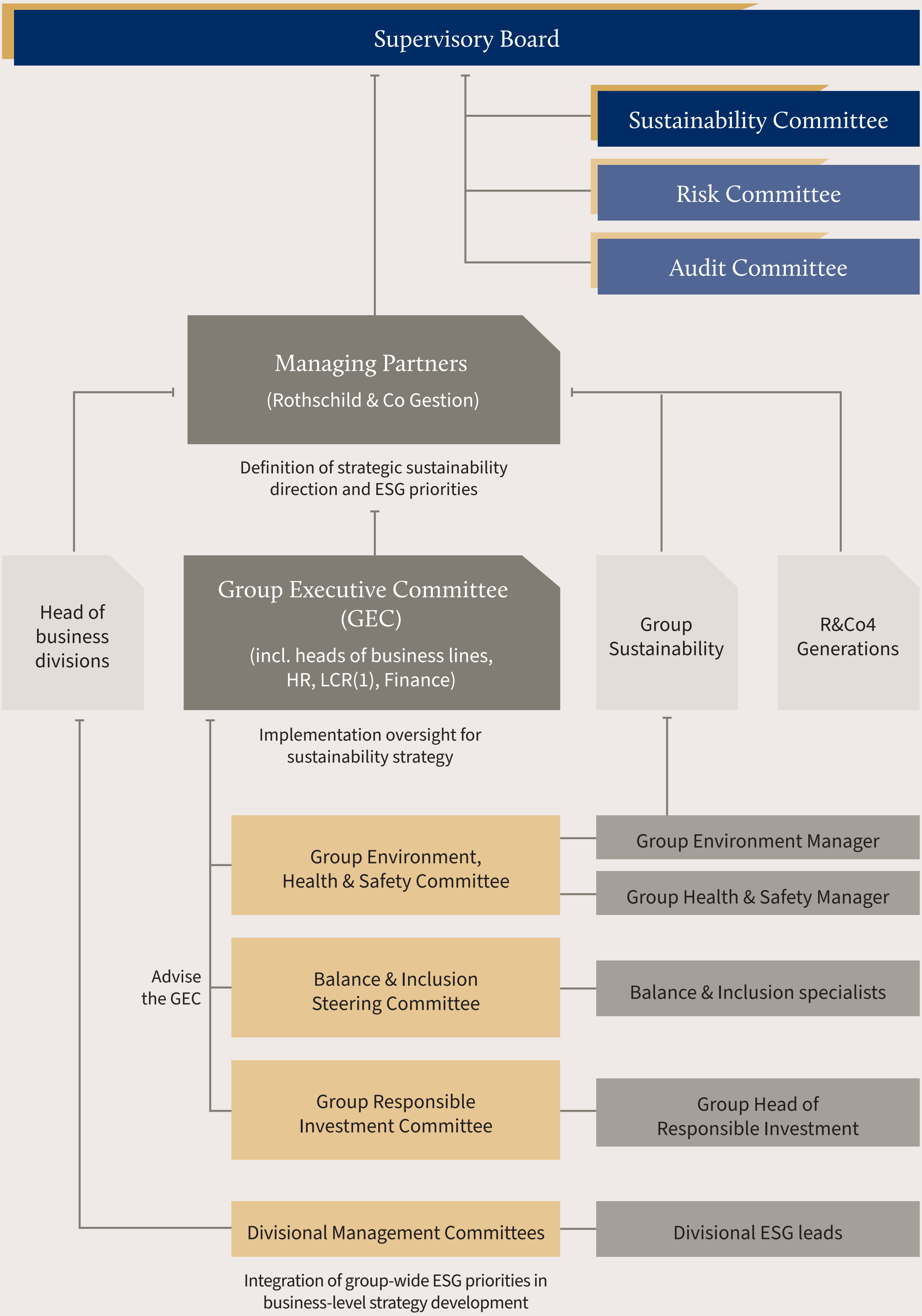
Group Environment, Health & Safety Committee

Overseeing the development and effective implementation of group-wide policies aimed at limiting and reducing the impact of our business operations on the environment, and the health and safety of employees.

Group Responsible Investment Committee

Developing and overseeing the implementation of a group-wide ESG investment integration and engagement framework supporting the transformation of industries towards sustainable practices.

Overview of governance arrangements



The Group Sustainability function assists senior management in the development of the strategy, the coordination of group-wide initiatives and the provision of an ongoing and consolidated picture of performance against the Group's strategic objectives, and reports directly to the Co-Chairman of the GEC, who is one of the Managing Partners. Supported by a team of experts in defined priority areas, the Group Head of Sustainability is a member of and works closely with the respective dedicated supporting committees to the GEC.

The Group Responsible Investment team supports the work of the Group Responsible Investment Committee to further the investing business lines' roadmap for integration of ESG considerations in their approaches, including the development of consistent investment policies and assisting investment business lines in their ESG integration developments. The team reports directly to the Co-Chairman of the GEC and works closely with the Group Sustainability function.

This integrative setup enables the dedicated implementation of the Group's sustainability strategy at all levels of the business model.

Conflicts of Interest

As a client-centric business, we seek to always act in our clients' best interests, treat all clients fairly and communicate with them in an honest and transparent way.

We believe the likelihood of conflicts of interest arising in our investment or stewardship activities is limited, given the focus of our investment activities, the concentrated nature of our investment portfolios, and the fact that no individual has sole responsibility for any investment, stewardship or voting decision.

However, we recognise that potential conflicts of interest may arise from time to time, and our policies and procedures are designed to enable us to identify them at an early stage, including with counterparties, third parties, and in relation to stewardship.

Rothschild & Co Wealth Management UK's Conflicts of Interest Policy sets out our minimum requirements and standards. It also describes how we identify, manage and escalate conflicts of interest to prevent clients being adversely affected:

- Any conflicts of interest identified either through compliance monitoring activities, internal audit or business detection are escalated to Compliance and recorded in the Conflicts of Interest register
- An assessment will be undertaken on the conflict of interest, the risk it represents and the organisational response in relation to this conflict of interest: decline to act or accept with risk mitigation measures in place and disclosure
- Any material conflicts of interest and the corresponding response will be recorded and escalated to the board for their awareness.

The policy provides clear guidance on management of conflicts that might arise in relation to:

- Access to inside information
- Confidential client information
- The order and execution of trades
- Management of client accounts
- Voting and engagement
- Personal account dealing
- Gifts and entertainment
- Outside interests.

Rothschild & Co Wealth Management UK's Conflicts of Interest policy is publicly available on our website. The policy and its related procedures are reviewed at least annually by the Rothschild & Co Board, together with our Risk and Compliance team, and updated as appropriate.

Conflicts of Interest training is part of the induction programme for all new employees, and existing employees are required to complete annual refresher training.

Examples of potential conflicts of interest in relation to our stewardship or engagement activities and how we mitigate or manage them are listed on page 35.

How we mitigate and manage potential conflicts

Potential conflict	Mitigation/or management
Inside information	When engaging with investee companies, it is our strong preference not to be made an 'insider'. Given the concentrated nature of our portfolios, it's also something that we expect will only happen rarely. Occasionally, client teams will be given inside information by clients who are directly involved with listed companies. In the event we receive any type of non-public price sensitive information, it must be reported immediately to Compliance. In order to ensure adherence to our legal and regulatory obligations, Compliance will determine whether trading activity in the security in question needs to be restricted. Restrictions may be hardcoded in our systems and trading prohibited until it is deemed that the information is in the public domain. This includes personal dealing, which will also be monitored by Compliance. Being part of the wider Rothschild & Co Group, there are strict information barriers in place designed to restrict the flow of information between Group entities performing conflicting functions. This includes the segregation of data and computer systems, as well as physical separation of certain businesses and staff (prohibiting access to the same part of the office).
Preferential treatment of one client over another	Our order management system is designed to deliver fair allocation of aggregated orders across multiple clients. This is subject to regular review by Compliance.
Accepting gifts and entertainment	The firm has a strict policy on the acceptance of gifts and hospitality, which may give rise to a conflict of duties owed to clients or the firm. Gifts and/or hospitality can only be accepted if modest and/or infrequent. All gifts and entertainment are recorded and reviewed by Compliance.
Connected persons	Rothschild & Co Wealth Management UK employees may not act for a client where they have close links (such as a familial relationship) with the client concerned, as this may influence the employee to put that client's interests ahead of those of others.
Outside interests	Rothschild & Co Wealth Management UK employees cannot hold any outside activity or position outside their professional capacity that may conflict with their duties to the firm and its clients. Prior clearance must be granted in advance of engaging in any outside activity and, in certain circumstances, clearance may be withheld.

As a UK Asset Manager investing in shares traded on EEA regulated markets and comparable markets outside of the EEA, Rothschild & Co Wealth Management UK is required to develop and publicly disclose its approach on shareholder engagement, in line with the FCA's implementation of the European Union's Second Shareholders' Rights Directive or SRD II.

In addition to this policy, it may be useful to refer to our latest Stewardship Report, available on the website. These documents together provide Rothschild & Co Wealth Management UK's public disclosure on its approach to shareholder engagement.

The aim of SRD II is to promote effective stewardship and long term investment decision making. Rothschild & Co Wealth Management UK is required to describe how and to what extent:

1. Integrates shareholder engagement in its investment strategy;
2. Monitors investee companies;
3. Conducts dialogues with investee companies;
4. Exercises voting rights;
5. Co-operates with other shareholders and stakeholders of investee companies; 6. Communicates with relevant stakeholders of investee companies;
7. Manages conflicts of interest.

Annual disclosure of shareholder engagement

We are required to disclose publicly once a year how our shareholder engagement approach or policies has been implemented. This disclosure should include:

- a general description of voting behaviour;
- an explanation of the most significant votes;
- an explanation of any use of the services of proxy advisors;
- information on how votes on shares of investee companies have been cast.

Rothschild & Co Wealth Management UK may not disclose how votes have been cast where the subject matter of the vote is insignificant or where its holding in the investee company is insignificant.

Access to Rothschild & Co Wealth Management UK's shareholder engagement approach and annual implementation disclosure.

The information is required to be available free of charge on our website.

Important information

Notes

At Rothschild & Co Wealth Management we offer an objective long-term perspective on investing, structuring and safeguarding assets, to preserve and grow our clients' wealth.

We provide a comprehensive range of services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities.

In an environment where short-term thinking often dominates, our long-term perspective sets us apart. We believe preservation first is the right approach to managing wealth.