Handling of potential conflicts of interest at Rothschild & Co Bank AG

Preamble

On 1 January 2020, the Swiss Financial Services Act and its implementing ordinance (together "FINSA") entered into force. Please note that Rothschild & Co Bank AG (the "Bank") makes use of the regulatory transition periods to implement FinSA duties. As a Swiss financial intermediary, the Bank must comply with FINSA. FINSA serves to improve client protection and governs the contractual relationship between financial intermediaries and their clients for relevant services and financial products. The purpose of this brochure is to inform clients in general about the handling of potential conflicts of interest at the Bank.

Conflicts of interest

The Bank has taken several measures to identify and, where possible, mitigate potential conflicts between the interests of the client on the one hand and the interests of the Bank and/or its employees on the other hand.

The Bank is of the opinion that economic links to third parties can potentially lead to the following conflicts of interest between the Bank and its clients which, however, are mitigated to the extent that disadvantages caused to clients are excluded as outlined below:

- Employees may receive gifts & inducements which might influence investment, dealing or distribution decisions. Also, clients and service providers accepting gifts and inducements from employees may lead to inappropriate products and services being provided to clients. To mitigate this risk, the Bank has a policy in place according to which an employee may not accept from, or give to, any person any gift or other benefit that cannot properly be regarded as justifiable in all the circumstances. All gifts and entertainment of a material value need to undergo an internal approval process. Where the receipt or provision of a gift or entertainment is not appropriate approval will not be granted.
- Personal account dealing could be undertaken which conflicts with the Bank's obligation to its clients, namely that the interests of the clients are put ahead of those of the Bank or employees. This could happen when trading ahead of clients, or in a manner that is disadvantageous to the client. To mitigate this risk, the Bank has a policy for personal account dealing of employees in place according to which employees need to observe the principle of good faith when executing securities transactions and are required to take the interest of clients into consideration.
- Employees might be in receipt of unpublished price-sensitive or confidential information during their business activities. To mitigate the risk of employees abusing such information to the disadvantage to the clients, the Bank has a policy on market behavior in securities trading in place outlining that employees must never misuse proprietary or client confidential information.
- Employees may serve as an officer, director, or similar position (e.g. serving on an advisory board) in any organization other than the Bank. This could conflict with client interests by limiting time available to the primary role of the employee. A conflict could also arise where the employee is a board member of client's companies. To mitigate this risk, the Bank has a policy in place on mandates which requires employees to disclose such positions and obtain internal approval by senior management of the Bank.
- A conflict may arise when an error has taken place which results in clients suffering a loss (through no fault of their own) and an employee decides not to undertake any measures in this regard. To mitigate this risk, the Bank has an operational risk policy in place according to which employees are obliged to report operational risk incidents, thus ensuring that an independent review is performed.
- Portfolio management may be producing an inadequate amount of turnover in a managed client portfolio to generate additional fee income and which might have a negative effect on clients' portfolio performance. To mitigate this risk, the Bank's investment control team performs a semi-annual turnover review for managed client portfolios to identify inappropriate activities.
- Control functions might not act independently and, therefore, not be fully effective in identifying and addressing control failures in clients' best interests. To mitigate this risk, the control functions Compliance, Risk, and Internal Audit of the Bank have separate reporting lines to the heads of the respective functions of the parent company of the Bank in order to ensure an appropriate level of independence.
- Traders of the Bank might prefer counterparties that offer benefits for the Bank or the trader himself. To mitigate this risk, the Bank has stipulated rules in its best execution policy whereas an internal control system is in place to review periodically the choice of third party brokers and dealers to determine that, taking into account all the relevant factors for best execution, the third party broker or dealer is providing the best results for orders on a consistent basis.

- A decision may be taken to invest clients' assets into a fund administered by a company which is majority owned by the Bank or its parent company, as opposed to buying direct equities or opting for a similar competitor fund which might be better suited for the client. This risk is mitigated by having in place an investment committee which is responsible for taking investment decisions following a proper approval process according to defined criteria based on the investment universe of the Bank.
- A decision may be taken to advise clients to invest in products for which the Bank receives distribution remunerations as opposed to products without remuneration. To mitigate this risk, the Bank pursues the strategy to only advise and/or invest in funds which do not typically generate distribution remunerations, trailer fees or other benefits. In the event that the Bank receives retrocessions, it will obtain consent from the affected clients to retain them.
- As per the Directives on fiduciary investments from the Swiss Bankers Association, conflicts of interest may arise e.g. if fiduciary investments become directly dependent on debts the Bank owes to the financial intermediary, or if the financial intermediary is subject to fees for the fiduciary investments. It is considered a breach of duty if financial intermediaries grant the Bank a loan only if the Bank places its customers' fiduciary investments with said financial intermediary in return. To mitigate this risk, the Bank has a policy in place whereas the Credit department of the parent company of the Bank monitors on an ongoing basis the eligible counterparties and the overall counterparty limits.
- As per the conflicts of interest policy issued by the parent company of the Bank, a critical part of the effective management of conflicts of interest is the ability to take appropriate measures to safeguard confidential information. Employees must exercise the highest level of due care and attention when dealing with confidential information. In handling such information, they must avoid situations whereby disclosure (either intentional or inadvertent) could give rise to a conflict of interest situation. Likewise, it is critically important that confidentiality is maintained before, during, and (for an appropriate period) after the formal relationship with a client has ended. To mitigate the risks of not safeguarding confidential information, the Bank has appointed a dedicated Chief Information Security- and Data Protection officer and has also implemented appropriate policies, processes, trainings and IT systems.
- Where a complaint is raised by a client against a client adviser, the relevant client adviser may not handle the complaint in the appropriate manner (for the reason of not affecting his/her individual performance, reputation and/or appraisal). To mitigate this risk, the Bank has a policy on client complaints handling in place which outlines the obligations of client advisers to inform their line managers and the Legal & Compliance department about relevant complaints. Furthermore, clients are informed how to raise complaints to the Legal & Compliance department of the Bank and to the Swiss Banking Ombudsman.