Pre-contractual disclosure for the financial products referred to in Article 8 of Regulation (EU) 2019/2088

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name:
CHF Conservative

Legal entity identifier:
549300ZQJQ5GQRDOBE68

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective: __%;**	☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of **15.00 %** of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective: __%**	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

What environmental and/or social characteristics are promoted by this financial product?

The product considers firstly investments in companies that plan to reduce their carbon emission in line with a global warming of 2°C or below. Through the focus on these companies, the product promotes the development of technologies, processes and practices aiming at climate warming mitigation. The product considers, secondly, investments in companies that generate at least 20% of their sales from products with a direct environmental and social contribution. These products are in alternative energy, energy efficiency, green building, sustainable water, pollution prevention, sustainable agriculture, nutrition, major disease treatment, sanitation, affordable real estate small and medium-sized enterprise finance, education and connectivity. Thirdly the product also focusses on investments whose investee companies have a minimum rating of AA by MSCI ESG Research LLC. Companies with such a rating have environmental, social and governance standards well above those of their industry peers. The investment focus on these companies tends to exert appreciation pressure on their valuations and has also signaling character.

It therefore promotes the adoption of the same standards by their lagging peers, such improving the ESG practices of the whole industry.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

  The sustainability indicators used are:

  The ESG rating, overall ESG score, single E, S and G scores provided by MSCI ESG Research LLC, Principle Adverse Impact (PAI) indicators 1 (amount of greenhouse gas emissions), 2 (carbon footprint), 4 (exposure to fossil fuel sector), 5 (share of non-renewable energy consumption), 6 (energy consumption intensity per high impact sector), 10 (violations of UN Global Compact principles and OECD Guidelines), 13 (board gender diversity) and 14 (exposure to controversial weapons). For assessment of thermal coal involvement, the Global Coal Exit List provided by Urgewald (a non-profit environmental and human rights organization) is used. Furthermore, an implied temperature rise metric, the low carbon transition score, revenue from sustainable impact solutions, estimated EU Taxonomy-alignment and a controversy score/flag provided by MSCI ESG Research LLC are used for measurement.

  For government securities, the corruption percepetion index from Transparency International, the ESG score, a rule of law indicator by the World Bank, non-cooperative tax jurisdiction indicator from the European Union, fundamental rights score from the World Justice Project Rule of Law Index, ratification of the Paris-Agreement status, ratification of UN Convention on Biological Diversity, the GINI index and Freedom House index all provided by MSCI ESG Research LLC are used for measurement. In addition, a decarbonisation assessment given by Climate Action Tracker (an independent scientific body tracking decarbonization of governments) is used for Government securities.

  For third-party funds we take the relevant indicators disclosed by the fund companies in the EET (European ESG Template).

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

  A sustainable investment, as defined by the SFDR Article 2(17) should consider the three following building blocks:

  - positive contribution to an environmental or social objective;
  - do no significant harm;
  - good governance practices.

  a) Based on Rothschild & Co Bank AG's interpretation of these building blocks and mainly using data provided by MSCI ESG Research LLC, companies selected in the financial product are considered as having a positive contribution to an environmental or social objective if:

  - companies have carbon emissions reduction targets aligned with a global warming of 2°C or less;
  - or have a strategic business focus on products with a direct social or environmental impact as shown by a share of revenues from those products of at least 20%.

  If the investee company meets one of these criteria than the investment is considered to be 100% sustainable.

  b) Based on Rothschild & Co Bank AG's interpretation of these building blocks and mainly using data provided by MSCI ESG Research LLC, financial instruments linked to sovereigns selected in the financial product are considered as having a positive contribution to an environmental or social objective if:

- the country is considered as having a credible carbon emission reduction trajectory (assessed by Carbon Action Tracker)
- and the country has ratified some key environmental conventions and demonstrates good performances regarding corruption, rule of law, taxes, fundamental human rights, freedom and inequality reduction.

If the investee public entity meets one of these criteria than the investment is considered to be 100% sustainable.

c) Third party funds selected in the product are considered as having a positive contribution to an environmental or social objective if they are classified as Art 8 or 9 according to SFDR and to the extent of the share of sustainable investment disclosed by fund producer.

When the underlying fund commits to a certain allocation of sustainable investments, we pay attention to the pertinence of this definition (and its three main components), but cannot ensure that it is fully aligned with our own interpretation of the SFDR requirements and objectives.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

a) Based on Rothschild & Co Bank AG's interpretation of these building blocks and mainly using data provided by MSCI ESG Research LLC, companies selected in the financial product are considered as complying with the “do no significant harm” criteria if:

- They do not breach OECD and UNGC principles (PAI 10)
- They do not have any exposure to controversial weapons (PAI 14)
- They consider the following principal adverse impacts:

• Greenhouse gas (GHG) emissions (PAI 1)

• Carbon footprint (PAI 2)

• Exposure to companies active in the fossil fuel sector (PAI 4)

• Share of non-renewable energy consumption and production (PAI 5)

• Energy consumption intensity per high impact climate sector (PAI 6)

• Board gender diversity (PAI 13)

• Exposure to controversial weapons (PAI 14)

b) Based on Rothschild & Co Bank AG's interpretation of these building blocks and mainly using data provided by MSCI ESG Research LLC, financial instruments linked to sovereigns selected in the financial product are considered as complying with the “do no significant harm” criteria if:

- They do not breach international sanctions;
- They demonstrate good performances regarding corruption and the implementation of international standards;
- And comply with a minimum ESG score of 4 or higher (corresponding roughly to a letter rating of BB)

c) Third party funds selected in the product might integrate a portion of sustainable investments which comply with the sustainable investment definition and "do no significant harm" principle as assessed by the investment company managing the underlying product.

When the underlying fund commits to a certain threshold of sustainable investments, we pay attention to the pertinence of this definition (and its three main components), but cannot ensure that it is fully aligned with our own interpretation of the SFDR requirements and objectives. In general, we are looking for consideration of PAIs, the sustainability definition of the fund and if it has a similar exclusion policy to the one implemented by Rothschild & Co Bank AG.

How have the indicators for adverse impacts on sustainability factors been taken into account?

We take into consideration the principal adverse impact indicators in our definition of sustainable investments and measure all of the PAIs and their evolution/trend.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Our definition of sustainable investments for companies integrate the PAI 10 "Companies must not breach UN Global Compact principles and Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises".

Our assessment relies on data and research provided MSCI ESG Research LLC: "the overall company assessment signals whether a company has a notable controversy related to its operations and/or products, and the severity of the social or environmental impact of the controversy".

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes, Rothschild & Co Bank AG recognizes principal adverse impacts (PAI) as defined by the SFDR regulation as a comprehensive analysis grid and we are in the process of further improving their integration in our monitoring tools.

At this stage, we pay a specific attention to the following PAIs:

- For private companies:

o Regarding environmental characteristics:

- The investment product complies with our investment policy relating to thermal coal (PAI 4);
- Our definition of sustainable investment takes indirectly into consideration the optional PAI relating to investments in companies without carbon-emissions reduction initiatives;

o Regarding social characteristics: The financial product complies with our investment policies relating to fundamental principles and controversial weapons (PAIs 10 and 14).

☐ No

What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The financial objective of the product is to achieve a superior risk-adjusted performance over the medium to long term through security selection and tactical asset allocation.

Moreover, the product commits to a minimum share of investments with E/S characteristics of 30%, a minimum share of sustainable investment of 15% and a minimum of 15% will be invested in sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy regulation.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

A) Common investment exclusion policy framework

- Exclusion of companies that have any industry tie to landmines, cluster ammunitions, chemical weapons, or biological weapons. Industry tie includes ownership, manufacturing, or investment. Landmines do not include related safety products.
- Exclusion of companies that breach one or more of the principles of the UN Global Compact.
- Exclusion of investing in companies involved directly in thermal coal production as well as exploration, mining & processing and power generation using thermal coal (above defined thresholds).

B) Minimum Investment ESG criteria for single securities:

- Minimum ESG rating of BB according to MSCI ESG Research LLC.
- Minimum MSCI Low Carbon Transition Score of 2.04, excluding companies deemed as asset stranding.

C) At least 80% of the holdings must be covered by MSCI ESG Research LLC

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

We have not set a fixed minimum reduction rate on the investment universe. However, the investment universe is by default reduced by regulatory exclusions and the implementation of our common investment policies (see above).

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the policy to assess good governance practices of the investee companies?***

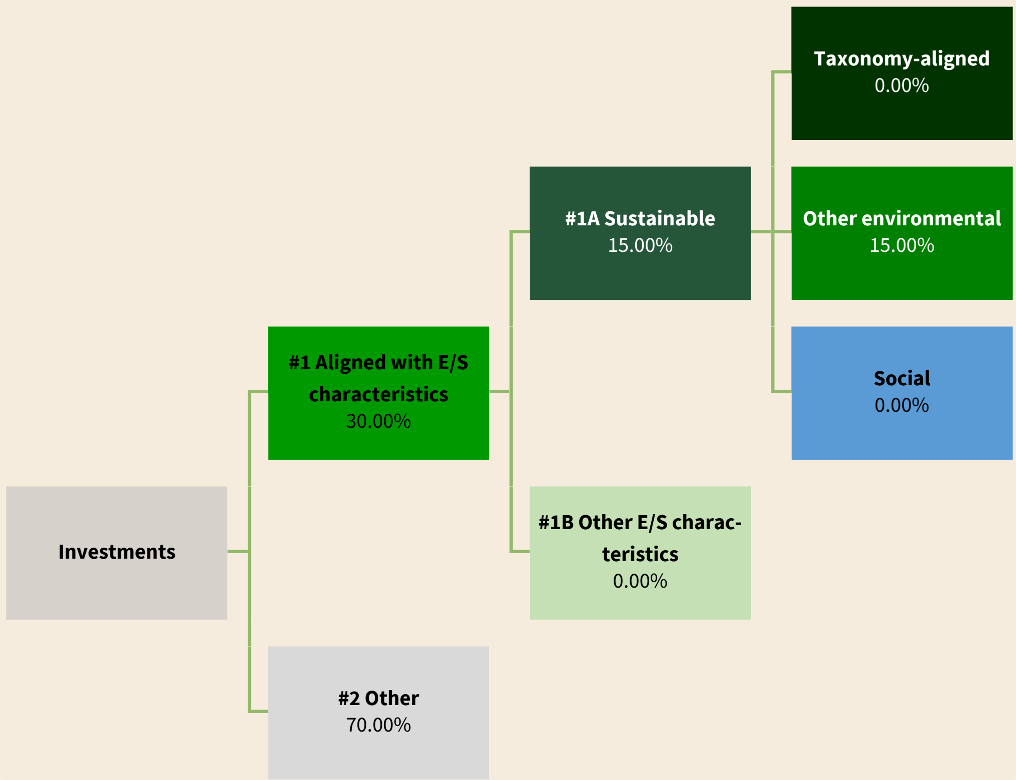
  We use different levers of analysis to assess good governance practices of the investee companies:

  - Compliance with our common investment policies relating to fundamental principles and controversial weapons;
  - Consideration of the ESG rating provided by MSCI ESG Research LLC (min. BB rating). The MSCI ESG Research LLC rating integrates a specific governance pillar score in its analysis. The governance score covers the themes of cooperate governance and corporate behaviour. Topics such as ownership and control, board, pay, accounting, business ethics and tax transparency are considered across both themes.
  - Our definition of sustainable investment integrates a good governance practices assessment including a minimum governance score (based on MSCI ESG Research LLC data).

What is the asset allocation planned for this financial product?

This product will be invested in investments with environmental and social (E/S) characteristics of at least 30%. The share of sustainable investments, the share of EU Taxonomy-aligned investments and the share of investments with other E/S characteristics contribute to this share. The share of sustainable investments must be at least 15%. A minimum of 15% will be invested in sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy regulation.

Asset allocation describes the share of investments in specific assets.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

Derivatives are not used to attain the E/S characteristics promoted by the product.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 15%.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

The "#2 Other" category includes firstly investments that might have not been analyzed from an ESG perspective due to the lack of methodologies, data availability or the nature of the underlying asset (cash). Secondly it includes those securities whose investee companies do not fulfill our criteria for sustainability and "other E/S characteristics". Nevertheless, these securities must meet the exclusion criteria described in the section "Binding elements".

Where can I find more product specific information online?

More product-specific information can be found on the website:

https://www.rothschildandco.com/en/wealth-management/

Disclaimer

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