ROTHSCHILD & CO BANK AG | OCTOBER 2022

Sustainable Investment Approach

How we consider ESG factors within our investment process

Cover: a view across the mountains and into the valley below at Wengen, Lauterbrunnen, Switzerland.

1. Introduction

This document describes how environmental, social and governance (ESG) factors are integrated into the investment activities at Rothschild & Co Bank AG (the Bank). The Bank comprises both the Swiss Bank and its subsidiaries in Germany, Rothschild & Co Vermögensverwaltung GmbH, in Spain, Rothschild & Co España S.A. and Luxembourg, Rothschild & Co Wealth Management (Europe) SA.

The Bank is part of the Rothschild & Co Group, which comprises four divisions: global advisory, wealth management, asset management and merchant banking.

The Bank believes the consideration of ESG factors is essential for three reasons:

1. **It helps to mitigate risk and possibly enhance performance for our clients' wealth.**
   Companies with high ESG standards tend to be better managed and might offer superior long-term profitability. Moreover, ESG is becoming an increasingly important factor in financial markets with the stocks and bonds of companies with inferior ESG track records more likely to be downgraded.
2. **It helps contribute to a more equitable and sustainable world.**
   The Bank sees responsible investing as an opportunity to achieve a lasting impact by playing an active role in the successful transformation of industries towards a more sustainable future. This can be achieved through good stewardship and active ownership with the aim to foster better ESG practices.
3. **It meets growing ESG awareness from the Bank's clients.**
   Clients' attention to ESG issues is increasing. The Bank wants to evolve its investment activities to better meet these requirements and needs.

The main pillars of the Bank's ESG approach are:

1. **Exclusion guidelines.**
   This describes which investments are excluded due to the negative social and environmental impact of the investee companies.
2. **Definition of sustainable investments.**
   This section describes the Bank's definition of sustainable investments as well as investments aligned with environmental and social characteristics according to the guidelines introduced by the SFDR (EU Sustainable Finance Disclosure Regulation).
3. **Integration of ESG in security selection, portfolio construction and advisory.**
   This section outlines how the Bank integrates ESG aspect into its portfolio management and advisory activity.
4. **Bank's stewardship activities.**
   This includes having an active voting and engagement policy.

These pillars apply to the Bank's discretionary mandates including the funds the Bank manages, as well as its advisory business.

2. Exclusion guidelines

The Bank's exclusion guidelines are derived from the corresponding exclusion principles of Rothschild & Co Group. These can be summarised as:

1. Exclusion of companies that have any tie with the production or distribution of controversial weapons.
2. Exclusion of companies that breach one or more of the principles of the UN Global Compact.
3. Exclusion of companies involved in thermal coal production, exploration, mining and processing, and power generation using thermal coal.
4. Exclusion of companies below minimum ESG rating and/or "Asset Stranding".

2.1. EXCLUSION OF COMPANIES WITH AN INDUSTRY TIE TO CONTROVERSIAL WEAPONS

Aligned with SFDR[1], we define controversial weapons as landmines, cluster munitions, and chemical or biological weapons. An industry tie includes ownership, manufacturing or distribution.

[1] EU Sustainable Finance Disclosure Regulation.

2.1.1. Exclusion criteria for single securities (equities, bonds and loans)

The list of companies is produced using the database of the MSCI ESG Manager[2] by screening companies with the field "any tie" to controversial weapons according to SFDR.

2.1.2. Exclusion criteria for indexed securities and third-party funds

Long-only funds with a position weight of investee companies with a tie to controversial weapons higher than 10% are excluded. The same applies to index securities, such as ETFs, structured products or futures for which the underlying index has a share of more than 10% of these securities. MSCI ESG database is used to determine the share of controversial weapons for long-only funds including ETFs.

For hedge funds for which the underlying investments are liable for exclusion, a net share of 20% applies. The higher share is due to the often more dynamic allocations and to the difficulty of frequently monitoring the holdings.

2.2. EXCLUSION FOR COMPANIES WITH SERIOUS VIOLATION OF THE PRINCIPLES OF THE UN GLOBAL COMPACT

2.2.1. Exclusion criteria for single securities (bonds, equities and loans)

Companies with very severe violations of some of the 10 principles of the United Nations (UN) Global Compact[3] are excluded from the investment universe.

The 10 principles cover:

- Human rights: protection of human rights and no involvement in human rights abuses.
- Labor: enable freedom of association and collective bargaining, eliminate all forms of forced labor, abolish child labor and elimination of discrimination of employment and occupation.
- Environment: support approaches to environmental challenges, promote environmental responsibility and encourage development of environmentally friendly technologies.
- Anti-corruption: work against corruption in all its forms.

The list of companies is produced using the database of the MSCI ESG Manager by screening companies with the field "Compliance" to UN Global Compact set to "Fail".

2.2.2. Exclusion criteria for indexed securities and third-party funds

Long-only funds with a position weight of investee companies violating the UN Global Compact Principles higher than 10% are excluded. The same applies to index securities, such as ETFs, structured products or futures for which the underlying index has a share of more than 10% of these securities. The MSCI ESG database is used to determine the relevant portfolio/index share.

For hedge funds for which the underlying investments are liable for exclusion, a net share of 20% applies. The higher share is due to the often more dynamic allocations and to the difficulty of frequently monitoring the holdings.

2.3. THERMAL COAL EXCLUSION GUIDELINES

Due to the high CO_2 emissions caused by the burning of coal and its impact on global warming, the Bank will not invest in companies heavily involved in the mining of coal and the production of electricity with coal. Metallurgical coal used in the production of steel is not considered since there are currently no alternative technologies in the field.

2.3.1. Exclusion criteria for single securities (bonds, equities and loans)

- Miners: coal share of revenue (csr) > 20% and/or annual production > 10 MT (mega tons), capacity expansion plans.
- Electricity producers/utilities: coal share of power production (cspp) > 20%, annual coal electricity production > 5 GW (giga watts), capacity expansion plans.

For a group of companies, the exclusion applies to all that meet the criteria. For example, if a subsidiary has a csr >20% but the parent company does not, then the subsidiary and not the parent company will be excluded. However, all other criteria are generally 'inherited' to the parent company for fully owned subsidiaries.

[2] A product from MSCI ESG Research LLC.

[3] www.unglobalcompact.org/what-is-gc/mission/principles

The exclusion data stem from the latest available Global Coal Exit List by Urgewald (www.urgewald.org), an NGO based in Germany. The list is usually updated yearly. These thresholds are applied until the end of 2022 and will be reconsidered in 2023.

The Bank, together with the Rothschild & Co Group, can exempt from exclusion those companies based in an OECD country that have a credible coal exit plan by 2030 and by 2040 if based elsewhere (box 1).

Within the Group an analyst (the sponsor) is responsible for analysing the company, its exit plans and proposing the exception. The exception list is approved by the Group Responsible Investment Committee.

Additionally, green bonds issued by "excluded" companies are exempt from exclusion. If a bond can be considered as a green bond instrument is verified by the respective fixed income analyst.

BOX 1: SUPPORTING COMPANIES ENGAGED IN A COAL EXIT STRATEGY

Where companies are not involved in developing new thermal coal capacity but have direct exposure to thermal coal in excess of the thresholds defined in Rothschild & Co's exclusion policy, the business will:

- Engage with companies to discuss their coal exposure.
- Continue to support companies implementing a thermal coal exit strategy on a case-by-case basis.
- Neither invest in nor cease to invest in companies which, following engagement, do not implement a thermal coal exit strategy.

2.3.2. Exclusion criteria for indexed securities and third-party funds

We exclude long-only funds and indexed securities with a position weight higher 10% in investee companies with significant revenues deriving from the mining and sale of thermal coal. We deem the revenues to be significant if they are higher than 10% of total revenues. The assessment is based on the MSCI ESG Manager.

For hedge funds for which the underlying investments are liable for exclusion, a net share of 20% applies. The higher share is due to the often more dynamic allocations and to the difficulty of frequently monitoring the holdings.

2.4. MINIMUM ESG RATING

ESG ratings are separated into seven brackets: AAA (leader), AA (leader), A, BBB, BB, B (laggard) and CCC (laggard). An ESG rating is an industry-adjusted metric and includes the assessment of material topics across the ESG pillars, such as climate change, pollution, human capital, corporate governance and corporate behaviour.

We exclude those companies from our investments with an MSCI ESG rating[4] of CCC and B. These are the two lowest ratings and show that the company has insufficient ESG practices. If a stock in the universe is downgraded to below BB, it must be excluded from the universe and sold within three months. Bonds may be grandfathered, meaning that existing positions can be kept until maturity, if liquidity is low.

2.5. ASSET STRANDING

Companies that face a very high risk of asset stranding due to their carbon intensive business, such as substantial reserves of fossil fuels, within a low carbon transition of the economy are excluded. This risk is measured by a proprietary metric by MSCI ESG, the Low Carbon Transition Score (LCT)[5]. It ranges between 0 and 10. If the score is below 2.04, a company is classified as "Asset Stranding". If a company is downgraded to Asset Stranding, the corresponding securities must be excluded from the universe and sold within three months.

[4] www.msci.com/documents/1296102/21901542/ESG-Ratings-Methodology-Exec-Summary.pdf

[5] www.msci.com/eqb/methodology/meth_docs/MSCI_Climate_Change_Indexes_Methodology_May2021.pdf, Appendix II

BOX 2: IMPLIED TEMPERATURE RISE[6]

- MSCI ESG Research LLC bases its calculations on one of several carbon budgets reported by the Intergovernmental Panel on Climate Change (IPCC), which provides policymakers with a scientific assessment on climate change on a regular basis.
- This *Implied Temperature Rise (ITR)* is based on companies' current and future carbon emissions.
- Future emissions are measured by using carbon budgets. These are set to quantify the amount of CO_2 a company can emit by 2070 to not contribute to more than 2°C of warming.

3. The Bank's definition of sustainable investments and investments aligned with other environmental and social characteristics

Following the Sustainable Finance Disclosure Regulation (SFDR)[7] from the European Union, investments can be split into two categories, namely investments that have environmental and social characteristics and investments that do not. Investments with environmental and social characteristics can be further split into three pillars, namely sustainable investments, EU Taxonomy-aligned investments, and investments aligned with other environmental and social characteristics.

3.1. SUSTAINABLE INVESTMENTS

We follow the guidelines of the SFDR regulation to define a sustainable investment. According to SFDR, a sustainable investment is an investment in an economic activity that

[6] MSCI ESG Research LLC, www.msci.com/our-solutions/climate-investing/net-zero-solutions/implied-temperature-rise

[7] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN

[8] MSCI ESG Research LLC, www.msci.com/eqb/methodology/meth_docs/MSCI_ACWI_Sustainable_Impact_Index_Feb2020.pdf, p.5 ff.

BOX 3: SUSTAINABLE IMPACT FRAMEWORK[8]

ENVIRONMENTAL IMPACT	Climate change	Alternative energy
		Energy efficiency
		Green buildings
	Natural capital	Sustainable water
		Pollution prevention and control
		Sustainable agriculture
SOCIAL IMPACT	Basic needs	Nutrition
		Major disease treatments
		Sanitation
		Affordable real estate
	Empowerment	Small/medium enterprise finance
		Education
		Connectivity

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.

According to this framework, Rothschild & Co Group has defined specific metrics that an investment or the investee company must meet to be considered as sustainable.

3.1.1. Corporate securities (stocks and bonds)

With a harmonized approach across Rothschild & Co Group, an environmental or social objective of a company is given, if the company is either aligned with a warming pathway agreed on in the Paris Agreement back in 2015 (COP21)[9], or if the company has a substantial share of revenues contributing positively to an environmental or social objective.

Paris-alignment

In measuring the alignment with a warming pathway in line with the Paris Agreement, of 2°C or below, the Bank uses the Implied Temperature Rise (ITR) metric developed by MSCI ESG Research LLC[10]. The ITR metric is a forward-looking metric ranging from 1.3°C to 10°C (see box 2).

A company needs at least an ITR of 2°C or below to be Paris-aligned and to be considered as having an environmental objective.

Sustainable impact solutions

The other condition for a company to be considered as sustainable by Rothschild & Co is to have a share of revenues in sustainable impact solutions of at least 20%.

In measuring revenue exposure to sustainable impact solutions, the Bank uses the metric of sustainable impact solutions revenue percentage developed by MSCI ESG Research LLC. This is a numeric value expressed in per cent, ranging from 0% to 100%, which shows revenues of companies derived from products and services with positive impact on the society and/or the environment. The general themes considered for revenue exposure are climate change, natural capital, basic needs and empowerment (see box 3 for more details).

Good governance practices

In measuring good governance practices, the Bank uses the governance score developed by MSCI ESG Research LLC. This metric is a numerical value, that can range from 0% to 10% and is one of the three ESG pillars of the overall MSCI ESG rating.

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.[11]

The Bank requires a governance score of at least four.

Do no significant harm (DNSH)

The last condition to be assessed for a company to be considered as sustainable is that it does not do any significant harm to environmental and/or social objectives.

In the Regulatory Technical Standards (RTS)[12] of the SFDR the EU describes a set of 64 indicators, the Principal Adverse Impact Indicators (PAIs) to assess of the sustainability performance or any adverse impact on sustainability aspects. The PAIs indicators measure climate and environmental performance, but also social matters.

For the DNSH criteria to be fulfilled, the Bank requires from a company to report on the subset of PAIs outlined in table 1 below.

[9] https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

[10] www.msci.com/our-solutions/climate-investing/net-zero-solutions/implied-temperature-rise

[11] www.msci.com/documents/1296102/21901542/ESG-Ratings-Methodology-Exec-Summary.pdf

[12] www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/joint-rts-esg-disclosure-standards-financial-market-participants

[13] https://ec.europa.eu/finance/docs/level-2-measures/C_2022_1931_1_EN_annexe_acte_autonome_part1_v6.pdf

TABLE 1: MAIN PAIs ASSESSED BY THE BANK, DESCRIBED BY THE SFDR[13]

GREENHOUSE GAS EMISSIONS	1. Amount of greenhouse gas (GHG) emissions generated
	2. Carbon footprint
	4. Exposure the fossil fuel sector
	5. Share of non-renewable energy consumption and production
	6. Energy consumption intensity per high impact climate sector
SOCIAL AND EMPLOYEE MATTERS	10. Violations of UN Global Compact principles and OCDE guidelines
	13. Board gender diversity
	14. Exposure to controversial weapons

The information on the single PAIs is delivered to the Bank by MSCI ESG Research LLC. Furthermore, the Bank uses the UN Global Compact indicator developed by MSCI ESG Research LLC to assess if a company breaches the UN Global Compact principles or OECD Guidelines for Multinational Enterprises[14], as outlined in section 2.2.

3.1.2. Bonds issued by government-related and supranational issuers

Debt securities issued by states are considered sustainable if the issuing state meets, firstly, the following conditions:

- Transparency International Corruption Perception Index > 40[15]
- ESG score >= 4
- Rule of law indicator in the Worldwide Governance Indicators database by the World Bank > 0[16]
- Not in the EU list of non-cooperative tax jurisdiction[17]
- Fundamental rights sub-score of the World Justice Project Rule of Law Index[18] >=0.5
- Ratified the Paris Agreement[19]
- Ratified the UN Convention on Biological Diversity, with or without subscription of the Nagoya Supplement[20]
- GINI index on equality of < 50[21]
- Freedom House index = "Free"[22]

Furthermore, the decarbonisation plans, and efforts of the state must be considered either "sufficient" or "almost sufficient" by the Climate Action Tracker[23], an independent initiative with the major task of tracking government climate action against the agreed goals of the Paris agreement of keeping warming well below 2°.

Regional and local governments inherit the same characteristics of the national government. Supranational organisations will generally inherit the sustainability characteristic of the state with the biggest underlying financing share.

3.1.3. Green and social bonds

Green bonds are considered sustainable if they meet the Green Bond Principles (GBP) by the International Capital Market Association (ICMA). Likewise, social, sustainability and sustainability-linked bonds are considered as sustainable if they meet the corresponding principles by the ICMA.[24]

3.1.4. Funds and indices

The share of sustainable investments is defined and calculated by the fund manufacturer and needs to be reported, if the product is registered for the European market and is classified as Article 8 or Article 9 according to SFDR regulation. In general, the definition of sustainable investments might depart from the definition of Rothschild & Co.

Information on the share of sustainable assets can be taken from the products European ESG Template (EET) or other product disclosures, if available.

The share of sustainable investments for Article 6 funds or funds outside of the EU not reporting according to SFDR is zero. An exception are Swiss-domiciled funds for which the share of sustainable assets may be calculated on a look-through basis according to the Bank's sustainability definition for single securities.

The share of sustainable investments for market indices is calculated on a look-through basis according to the Bank's sustainability definition for single securities.

3.1.5. Other securities

Money market accounts and physical commodities are out-of-scope. More specificly, they are securities related to commodities that are physically deposited.

The sustainability criteria and definition for the securities of non-liquid asset classes such as real estate and private equity and debt as well as derivative and structure product products will be defined at a later stage if feasible.

3.2. INVESTMENTS ALIGNED WITH THE EU TAXONOMY

The goal of the taxonomy implemented by the EU is to define if certain economic activities can be counted as sustainable activities or not.

In a first place it is assessed, if an economic activity is eligible (e.g., production of vehicles) and afterwards if it is aligned (e.g., zero emission vehicles) with the taxonomy. The EU hereby defines certain criteria and thresholds an economic activity needs to fulfil to be taxonomy aligned[25, 26]. For a company, the taxonomy alignment is reported as the percentage of revenues or capital expenditures that are generated by taxonomy aligned activities.

[14] www.msci.com/documents/1296102/14524248/MSCI+ESG+Research+Controversies+Executive+Summary+Methodology+-++July+2020.pdf/b0a2bb88-2360-1728-b70e-2f0a889b6bd4

[15] www.transparency.org/en/cpi/2021

[16] http://info.worldbank.org/governance/wgi/

[17] https://taxation-customs.ec.europa.eu/common-eu-list-third-country-jurisdictions-tax-purposes_en

[18] https://worldjusticeproject.org/rule-of-law-index/

[19] https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_en

[20] www.cbd.int/countries/

[21] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Gini_coefficient

[22] https://freedomhouse.org/reports/freedom-world/freedom-world-research-methodology

[23] https://climateactiontracker.org/

[24] www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/

[25] https://eur-lex.europa.eu/legal-content/EN/TXT

[26] https://eur-lex.europa.eu/eli/reg_del/2021/2139/oj/PDF/?uri=CELEX:32020R0852&from=EN

For companies that have not reported on their taxonomy alignment, we will use the corresponding estimation by MSCI ESG Research LLC.

For funds and indices, the EU Taxonomy alignment is calculated as a weighted average of the corresponding position values. The value is taken from the European ESG Template (EET) as calculated by the product manufactures, if available. Otherwise, we calculate it on a look-through basis.

3.3. INVESTMENTS ALIGNED WITH OTHER ENVIRONMENTAL AND SOCIAL CHARACTERISTICS

Some investments do not qualify as sustainable; however, the investee company or government issuer might follow standards or practices that are aligned with other environmental and social characteristics.

3.3.1. Corporate securities (stocks and bonds)

A company is aligned with other environmental and social characteristics if, firstly, it meets the DNSH criteria as described in sub-section 3.1.1. Secondly the company must have an MSCI ESG rating of at least AA[27] from MSCI ESG Research LLC.

With this approach, the Bank wants to ensure, that the company does not harm environmental and social objectives and has superior ESG performance across its three pillars: environment, social and governance.

3.3.2. Bonds issued by government-related and supranational issuers

Debt securities issued by states are considered aligned with other environmental and social characteristics if they meet the first set of criteria outlined in section 3.1.2. but their efforts to reduce carbon emissions are considered not sufficient by the Climate Action Tracker.

Regional and local governments inherit the same characteristics of the national government. Supranational organisations will generally inherit the sustainability characteristic of the state with the biggest underlying financing share.

3.3.3. Funds and indices

For third-party funds, the share of investments aligned with other environmental and social characteristics is calculated by the manufacturer of such products and is taken from the EET template or other product disclosures, if available, otherwise it is zero.

For Swiss-domiciled funds not reporting into the EET, the share of assets aligned with other environmental or social (E/S) characteristics may be calculated on a look-through basis according to the Bank's sustainability definition for single securities.

The share of assets aligned with other E/S characteristics for market indices is calculated on a look-through basis according to the Bank's corresponding definition for single securities.

3.3.4. Other securities

Money market accounts and physical commodities are out-of-scope. More specifically, they are securities related to commodities that are physically deposited.

The sustainability criteria and definition for the securities of non-liquid asset classes such as real estate and private equity and debt as well as derivative and structure product products will be defined at a later stage, if feasible.

3.4. INVESTMENT ALIGNED WITH E/S CHARACTERISTICS

A bond or stock investment is aligned with E/S characteristics if it either sustainable or aligned with other E/S characteristics. If it is none of the two but some of the activities of the investee company are taxonomy aligned according to section 3.2 then the investment will be aligned to E/S characteristics for the share of the sales of the investee company that are taxonomy aligned.

For third-party funds, the share of investments aligned with environmental and social characteristics is calculated by the manufacturer of such products and is taken from the products European ESG Template (EET) or other product disclosures, if available, otherwise it is zero.

For Wwiss-domiciled funds not reporting on the share of assets aligned with E/S characteristics within the EET, the metric is calculated on a look-through basis according to the Bank's sustainability definition for single securities. Likewise, the share of assets aligned with E/S characteristics for market indices is calculated on a look-through basis according to the Bank's corresponding definition for single securities.

[27] www.msci.com/documents/1296102/21901542/ESG-Ratings-Methodology-Exec-Summary.pdf

4. Integration of ESG in security selection, portfolio construction and advisory

4.1. SECURITY SELECTION

4.1.1. Stocks and bonds

The main goal of our security selection is to contribute to the achievement of above-average financial risk/return characteristics for the Bank's strategies and portfolios over the medium to long term. A security should firstly deliver the exposures to asset classes, markets and sectors that are required to reach the desired tactical positioning within the Bank's top-down approach. Secondly, the security should offer a positive idiosyncratic return, i.e., a return above that of its industry peers.

The same approach is applied for ESG considerations. A security should contribute to the overall ESG goals of our portfolios (see section 4.2). We will therefore tend to favour companies and their securities that score better than peers across the range of metrics that we use to measure and assess the ESG characteristics and performance of our portfolios.

4.1.2. Funds

We have introduced a structured scoring methodology supporting us to assess the ESG characteristics of third-party funds.

A baseline rule-based score is calculated for all funds in the Bank's investment universe. Additionally, a qualitative score is being calculated for those funds that are held in those portfolios following the Bank's major investment strategies.

For each investment segment we tend to select those funds with the higher scores compared to the peer group.

A. R&Co baseline fund ESG score

For this baseline rule-based approach, the required data is being sourced from the European ESG Template or other sources from the fund manufacturer and provided by our data provider MSCI ESG Research LLC.

The scores can range from 0 to 10 and is the sum of the sub-scores. The calculation is summarized in table 2 and includes factors focused on regulation such as SFDR, PAI, or the EU Taxonomy.

TABLE 2: R&CO BASELINE FUND ESG SCORE

		ESG FACTORS (VIA MSCI ESG RESEARCH)	CONDITION	SCORING
BASELINE FUND ESG SCORE	SFDR	Fund Classification	Article 6 or not available, Article 8, Article 9	0, 1, 2
		% Sustainable Investments	0-100%	0-2
	PAIs	Considers PAIs?	No, Yes	0, 1
	EU Taxonomy	% EU Taxonomy	0-30% or higher	0-2
	Engagement practices	Proxy Voting in place?	No, Yes	0, 1
	Climate change	Implied Temperature Rise (°C)	>2, <=2, <=1.5	0, 1, 2
	EET audit	Audited by Third-party?	No, Yes	(sum of previous fields) * 80%, * 100%

TABLE 3: R&CO QUALITATIVE FUND ESG SCORE

		ESG FACTORS (VIA MSCI ESG RESEARCH)	CONDITION	SCORING
QUALITATIVE FUND ESG SCORE	Qualitative ESG criteria	Definition of sustainability in line with RBZ?	No, yes	0, 1
		Exclusion policy in line with RBZ?	No, yes	0, 1
		Analyst assessment	Comment	0, 1, 2

B. R&Co qualitative fund ESG score
Besides the first score (A), a second score (B) has been developed to better include a more qualitative assessment by the Bank's fund analysts. The analysts assess the sustainability performance of the fund, including the definition of sustainability and exclusion policy of the fund manufacturer. The assessment can also include the outcome of the ongoing exchange with the fund management.

The approach is outline in table 3. The resulting total score is then re-based to a 0–10 scale to allow for better comparability with the baseline score.

[28] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1253&from=EN

4.2. PORTFOLIO CONSTRUCTION AND ADVICE

4.2.1. MiFiD II sustainability

The Bank has implemented the delegated act[28] regarding MiFiD II to consider sustainability preferences of investors and to match adequate investment portfolios across all its locations.

The Bank has defined three types of investors depending on their interest in sustainability: "neutral", "interested" and "very interested". For neutral investors no requirements are set for the suitable portfolios. For interested investors the suitable portfolios must have at least an allocation of 30% in investments with E/S characteristics as defined in Chapter 3.

TABLE 4: TARGETED ESG METRICS

PRIORITY	PORTFOLIO METRIC	DEFINITION
1	Share of investments with E/S Characteristics	As defined in this document
1	Share of sustainable investments	As defined in this document
2	Total sustainable impact sales share	Share of the sales underlying the companies of the portfolio that have a sustainable impact as defined and estimated by MSC ESG Research LLC
2	Portfolio ESG score	Position weighted average of MSCI ESG score of the portfolio companies
2	Carbon footprint	Financed scope 1, 2, 3 CO_2e emission per EUR Mil. invested as reported or estimated by MSCI ESG Research LLC
2	Portfolio implied temperature rise	As estimated by MSCI ESG Research LLC including scope 1, 2 and 3 emissions
2	Share of companies aligned with Paris agreement	Share of portfolio companies with an implied temperature of 2° or less as estimated by MSCI ESG Research LLC
2	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Principal Adverse Impact indicator. It applies only to third-party fund positions since single securities are excluded
2	Exposure to controversial weapons	Principal Adverse Impact indicator. It applies only to third-party fund positions since single securities are excluded
3	Share of taxonomy-aligned investments	As defined in this document
3	YoY change of portfolio carbon footprint	
3	GHG intensity of investee countries (governments)	Principal Adverse Impact indicator.
3	Share of companies active in the fossil fuel sector	Principal Adverse Impact indicator.
3	Share of non-renewable energy consumption	Principal Adverse Impact indicator.
3	Energy consumption intensity (GWh / EUR M Sales)	Principal Adverse Impact indicator.
3	Activities negatively affecting biodiversity-sensitive areas	Principal Adverse Impact indicator.
3	Emission to water (Tons/ EUR M invested)	Principal Adverse Impact indicator.
3	Hazardous waste ratio (Tons/ EUR M invested)	Principal Adverse Impact indicator.
3	Investee countries subject to social violations (Governments)	Principal Adverse Impact indicator.
3	Lack of processes to monitor compliance with the UN Global compact principles and OECD Guidelines	Principal Adverse Impact indicator.
3	Unadjusted gender pay gap of investee companies	Principal Adverse Impact indicator.
3	Board gender diversity	Principal Adverse Impact indicator.

For “very interested” investors the corresponding minimum allocation must be 65%.

4.2.2. ESG implementation in discretionary portfolio management

The main objective of portfolio management is to achieve a superior risk-adjusted performance relative to benchmark over the medium to long term.

Provided that this main objective is not compromised and that the criteria for target market suitability are met the ambition is to score better than the corresponding benchmarks across a range of sustainability metrics. Given the lacking quality and availability of data and the evolving regulatory landscape the Bank however restrains from defining precise quantitative targets and deadlines for the achievement of these goals for the time being.

In general, the benchmarks are composed of “traditional” market indices, meaning indices with no ESG or similar tilt. They represent therefore the average ESG characteristics of the underlying security markets.

The Bank has ranked the targeted ESG metrics in order of importance and achievement priority. Table 4 gives an overview of these metrics and their priorities. Some of the indicators are Principal Adverse Indicators (PAI) as outlined by the SFDR technical specifications and mentioned in section 3.1.

4.2.3. ESG implementation in portfolio advisory

Discretionary portfolio management and portfolio advisory are both services based on the same investment strategies and hence ESG approach.

However, contrary to discretionary management, in advisory the client has the last call on the proposed transactions and can also do transactions not recommended by the Bank.

As to ESG, the Bank shall only recommend investments that are allowed by the exclusion guidelines and that are in line with the sustainability preferences of the client according to MiFiD II.

If some investments are a dedicated client wish, the client shall be made aware of those investments that are not in line with the Bank’s ESG approach, or if those investments lead to an overall portfolio allocation no longer suitable to the client’s sustainability preferences.

4.3. MINIMUM PORTFOLIO COVERAGE REQUIREMENTS

The portfolio coverage for an indicator is defined as the ratio of the position-weighted sum of the securities for which the indicator is available and the position-weighted sum of all the securities that are in scope for that indicator.

For the calculation and reporting of the portfolio ESG indicators of priority one or two a coverage of at least 80% is required. If this not the case the Bank must increase the share of securities for which the indicator is available.

Discretionary portfolio management and portfolio advisory are both services based on the same investment strategies and hence ESG approach.

5. Being an active ESG investor

Through good stewardship as an active investor, the Bank aims at encouraging the companies it invests in to improve its ESG risk management, enhance disclosure and develop more sustainable business practices.

This can be achieved by the Bank exercising its voting rights for the companies it is invested in and by engaging with companies and discussing/promoting ESG practices either individually or in collaboration with other investors.

5.1. EXERCISE OF VOTING RIGHTS (PROXY VOTING)

The Swiss Bank exercises the voting rights of the stocks it recommends and in which it is invested directly through its discretionary mandates and the funds it manages.

Rothschild & Co Vermögensverwaltung GmbH exercises the voting rights indirectly as an advisor of the Investment Manager of its funds. For administrative and practical reasons, the voting-rights for the stocks contained in the discretionary portfolios cannot be exercised.

A separate document[29] describes in more detail the Bank's proxy voting policy.

The exercise of voting rights is based on recommendations by the third-party research provider Institutional Shareholder Services (ISS) according to their SRI (socially responsible investing) voting policy.

ISS's recommendations are validated by the Bank's investment committee which reserves the right to deviate from these decisions.

At the end of every year the Bank issues a document listing the companies for which it has exercised its voting rights and the outcome of each vote.

5.2. ENGAGEMENT

5.2.1. Memberships

The Bank views collaborative engagement platforms and membership bodies as opportunities to increase knowledge and leverage networks to meet the demands and needs of its engagement priorities.

The Bank is a signatory of the UN's Principles for Responsible Investment (PRI). As a signatory, the Bank publicly commits to developing and contributing towards a more sustainable financial system via six underlying principles.

The Bank is also a member of Swiss Sustainable Finance. By joining SSF the Bank has access to Switzerland's central information platform for sustainable finance, including the opportunity to collaborate on industry-wide working groups to tackle some of the most pressing issues that we face as investors in the development of sustainable finance today.

5.2.2. Other engagement activities

As to date the Bank does not engage with investee companies in a structured way on isolated ESG matters and has so far not taken part in collective engagement initiatives. However, other companies of the Rothschild & Co Group do participate and engage in collective investor actions with companies in and outside of the Bank's investment universe.

[29] Rothschild & Co Bank AG Voting Policy

Important information