

Policy: Conflicts of Interest



Rothschild & Co Wealth Management UK Limited (including Milan branch)

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Sculpture with pencils
(pencils and resin on plexiglass, 1968)
by Pierre Fernandez Arman
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1. Introduction

1.1 Objective of policy

Rothschild & Co is licensed and regulated by the FCA. It is licensed and regulated by the GFSC. It is also an SEC registered investment adviser.

The FCA's Principles for Businesses and GFSC's Principles of Conduct of Finance Business require regulated financial services providers to manage conflicts of interest fairly. The FCA Handbook and relevant GFSC rules require firms to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from adversely affecting the interests of its Clients. In addition, FCA and GFSC rules also require firms to establish a conflicts of interest policy. Rothschild & Co has put this policy in place to meet these obligations and so that its Clients can understand the measures that Rothschild & Co takes to protect their interests.

As an SEC registered investment adviser, Rothschild & Co is a fiduciary and must act in the best interests of its clients. The duties are of loyalty and care and are manifest in four ways: materially correct disclosure of all relevant facts, including conflicts of interest and the means to address them; best execution; suitability and a reasonable basis for recommendations. Rothschild & Co is required to disclose its material conflicts of interest and the means to address them in its Form ADV Part 2A, and to ensure that this disclosure is materially correct with no material misstatements or omissions.

This conflicts of interest policy aims to ensure that Rothschild & Co pays due regard to the interests of each of its Clients, discloses conflicts of interest and the means to address them and addresses conflicts of interest truthfully, fairly and effectively. This policy will specifically apply in the following circumstances:

- *when Rothschild & Co, including its officers, directors and employees, has a conflict of interest between itself and a Client;*
- *conflicts between third parties and Rothschild & Co; or*
- *where there is or may be a conflict of interest between one Client of Rothschild & Co and another Client.*

This obligation applies to services Rothschild & Co provides to its Clients in the course of carrying out a regulated activity or an ancillary activity.

Generally, Rothschild & Co should not provide services in a manner calculated to advance one Client's interest unfairly ahead of another Client's interest. In the same way, a Rothschild & Co employee should not put their own interests – or that of the firm – ahead of that of its Clients. Furthermore, Rothschild & Co should not provide a service in such a way that it is likely to make a financial gain, or avoid a financial loss, at the expense of a Client.

In addition to the specific organisational and administrative arrangements detailed in section 2.2 of this policy, Rothschild & Co also has in place arrangements designed to help it take all reasonable steps to address conflicts or not act when conflicts arise. For example:

- Rothschild & Co employees may not act for a Client where the employee may have close links with (for example is related to) the Client concerned as this may influence the employee to put that Client's interests ahead of those of other Clients.
- Rothschild & Co employees cannot hold an outside activity or a position outside their professional capacity that may conflict with their duties to the firm and its Clients. No employee may engage in any outside activity or additional occupation without the clearance of Rothschild & Co. In certain circumstances this may be withheld. In some instances a two way letter will need to be signed between the third party and the employee stipulating that in relation to any matters that are a conflict of interest, the employee will not be able to have any role in relation to decision making. This arrangement supports Rothschild & Co to ensure an employee does not put their own interests ahead of that of a Client.
- Material conflicts of interest and the means to address them are disclosed in our Form ADV Part 2A. Rothschild & Co should neither advise, nor deal in relation to a transaction in which it has a material interest unless it has taken all reasonable steps to address the conflict to ensure the fair treatment of the Client. If these steps are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Client will be prevented, Rothschild & Co will, after full and fair disclosure, and if a consent is not possible, withdraw as a measure of last resort.

Withdrawal due to a conflict of interest to a Client will be a measure of last resort. It will only be used where the effective organisational and administrative arrangements established by Rothschild & Co to address conflicts of interest, including disclosure, are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Client will be prevented.

1.2 Definitions

For the purpose of this policy, conflicts of interest are defined as conflicts of interest that arise in the course of providing a service and whose existence may entail a material risk of damage to the interests of a Client and, as a minimum

- from which Rothschild & Co is likely to make a financial gain, or avoid a financial loss, at the expense of a Client;
- in which Rothschild & Co has an interest in the outcome of a service provided to a Client or of a transaction carried out on behalf of a Client, which is distinct from the Client's interest in that outcome;
- where Rothschild & Co has a financial or other incentive to favour the interest of a Client or group of Clients over the interest of another Client;
- where Rothschild & Co carries on the same business as a Client; or
- where Rothschild & Co receives or will receive from a person other than the Client an inducement in relation to a service provided to that Client, in the form of monies, goods or services, other than the standard commission or fee for that service.

2. Policy

2.1 Who does it?

All Rothschild & Co board members, officers, employees and contractors must report any conflicts of interest which they have identified to their Line Manager and the Compliance Function.

Compliance will document all conflicts of interest and liaise with relevant individuals to determine the appropriate steps to address such conflicts.

Compliance will keep and, with management, regularly update a register of conflicts of interest. Compliance will provide a quarterly update to the Rothschild & Co board about any changes to this register, for example because a new conflict of interest has been identified or an existing conflict is no longer relevant.

Management will, with the Compliance Function, assess and review this conflicts of interest policy on an at least annual basis and will take all appropriate measures to address any deficiencies. For these purposes, over-reliance on disclosure of conflicts of interest will be considered a deficiency in this conflicts of interest policy. Any amendments to this policy will be approved by the Rothschild & Co board.

2.2 Detailed procedure

Rothschild & Co's approach to dealing with conflicts of interest may take, but is not limited to, one or more of the following forms:

- a) **Disclosure:** Disclosure helps Clients to understand the conflicts of interest relevant to assess the service that they are being offered in light of Rothschild & Co's own interests and to decide on the extent (if any) to which they will rely on the service.

As noted above, conflicts of interest and the means to address them are disclosed to Clients. Conflicts disclosure is made in a durable medium, clearly states that the organisational and administrative arrangements established by Rothschild & Co to prevent, with reasonable confidence, the interests of the Client from being adversely impacted, and includes a specific description of the conflict and the means to address it. The disclosure will include the specific nature or source of the conflict or both, the risks to the Client that arise as a result of the conflict and the steps undertaken to address these

risks. These disclosures allow the Client to make an informed decision with respect to the investment or ancillary service or in the context of which the conflicts of interest arise.

- b) **Prevention or management:** Rothschild & Co operates internal controls and undertakes monitoring to assist in complying with relevant local and cross-jurisdictional rules, including those relating to conflicts of interest. Further internal controls may be put in place to ensure that the relevant conflict is suitably prevented or managed, including:
- i. effective procedures to prevent or control the exchange of information between relevant persons where the exchange of that information may harm the interests of one or more Clients;
 - ii. the separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, Clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of Rothschild & Co;
 - iii. measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or investment activities; and
 - iv. measures to prevent or control the simultaneous or sequential involvement of a relevant person in a separate investment or ancillary service where such involvement may impair the proper management of conflicts of interest.
- c) **Escalation:** Where appropriate, a conflict may be escalated to the Rothschild & Co board for a decision to be taken as to appropriate action.
- d) **Termination:** Some conflicts may have such a serious potential impact on Rothschild & Co or its Clients that the only way to adequately prevent or manage those conflicts will be to avoid them. This goes beyond the means to address the conflict, internal controls and disclosure. Where this is the case, the service or activity to which the conflict relates may need to be terminated and the Client will be informed accordingly.

2.3 Examples of conflicts of interest

Conflicts and the means to address them are recorded in the register of conflicts.

Rothschild & Co operates within a comprehensive framework which seeks to identify and prevent, or where relevant address, conflicts of interest from adversely impacting its Clients. Conflicts of interest, and their handling, are also outlined in the Employee Handbook which explains to employees the importance of being aware of conflicts of interest and how Rothschild & Co deals with them. In addition, Rothschild & Co's senior management, together with Internal Audit, Compliance and Risk functions, are involved in the identification, prevention and management of conflicts. Taken together, these controls constitute the firm's conflicts management framework that is applied within the business on an on-going basis.

Below is a non-exhaustive list of specific conflicts of interest that exist within Rothschild & Co, together with the organisational and administrative arrangements established by Rothschild & Co to prevent or manage these conflicts.

Excessive gifts and entertainment

Rothschild & Co employees may receive gifts or entertainment that may have the potential to influence their behaviour in a way that places their interests and/or the interests of the firm ahead of those of its Clients. For example, it may influence a Rothschild & Co employee to favour the interest of another Client or group of Clients over the interests of the Client. To help prevent this conflict from adversely impacting its Clients, Rothschild & Co has in place a Gifts & Entertainment Policy which all staff are required to follow. No employee may 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 (£250 or greater) will require senior management and the Rothschild & Co Compliance Function pre-clearance. Where the receipt or provision of a gift or entertainment is not appropriate, clearance will not be granted.

It is important to consider whether the gift and/or entertainment being received or provided could potentially be perceived as a bribe. Under no circumstances is any employee permitted or authorised to provide or accept a bribe, whether or not the recipient / donor is a Client, in the course of business with the intention of improperly performing an activity or function which that person is required or expected to perform.

All members of Rothschild & Co staff also are required to comply with the Rothschild & Co Group Anti-Bribery and Corruption Policy.

Exploiting non-public price sensitive or confidential client information for personal gain

Rothschild & Co employees may only undertake personal investment activities that do not breach applicable law or regulation, do not unduly distract from their employment responsibilities and do not create an unacceptable risk to Rothschild & Co's reputation. Personal investment transactions must also be free from conflicts of interest.

There will be instances where a Rothschild & Co employee has access to non-public price sensitive information and confidential client information as a result of their professional activities. If this information is used by a Rothschild & Co employee to make personal investment decisions, this may result in front running, insider dealing or other means by which Rothschild & Co's employees could financially benefit, including to the detriment of its Clients. To help to mitigate this risk Rothschild & Co employees must never misuse proprietary or Client confidential information in their personal investment decisions and must ensure that Clients are never disadvantaged as a result of their personal investment transactions.

Rothschild & Co has Staff Dealing Rules and employees that wish to trade securities that are captured by these rules require pre-clearance from the Compliance Function. Compliance will not grant clearance for personal account dealing requests in securities for which the firm/its employees hold non-public price sensitive or client confidential information, or for which the firm is currently working an order on behalf of its clients, or where this is a conflict of interest with an employee's outside business interests.

Also, Rothschild & Co has information barriers designed to restrict the flow of information between parts of the firm, or Rothschild & Co Group entities, performing conflicting functions. The operation of the information barrier involves a range of practices including the segregation of data and computer systems, as well as physical separation of certain businesses (and staff) so that they are unable to access the same part of the office. The principle is that, in general, those behind one information barrier should have no knowledge of confidential transactions and activities taking place behind another information barrier and are therefore wholly unaware of, and are able properly to operate

without regard to, a conflicting interest in another part of the firm or Rothschild & Co Group. This helps ensure that investment decisions made by Rothschild & Co on behalf of its Clients or advice provided by Rothschild & Co to Clients are in the best interest of the Client and not Rothschild & Co, the Rothschild & Co Group or their other Clients. Also, the information barrier supports Rothschild & Co to maintain the confidentiality of its Clients' affairs.

The use of an information barrier will be established and enforced by Rothschild & Co Group Compliance. There is an information barrier in place between the Rothschild & Co Wealth Management business and the Rothschild & Co Global Advisory business of the Rothschild & Co Group.

Favouring brokers for execution

Rothschild & Co place orders with third party brokers to execute transactions. This causes a conflict if Rothschild & Co dealers favour certain brokers for placing Client transactions but this does not achieve best execution for the Clients.

The Compliance Function monitors all transactions to validate that the best possible result is achieved for Client orders. The results of this monitoring are presented to the firm's Broker and Best Execution Committee who will direct remedial action in the event best execution is not being achieved. Also, Rothschild & Co dealers are bound by the Rothschild & Co Order Execution Policy and their activity is monitored by Rothschild & Co Investment Control and also by the Compliance Function.

Rothschild & Co is mindful that its dealers may select a broker as a result of gifts, entertainment and other monetary or non-monetary benefits from the broker to Rothschild & Co dealers or other Rothschild & Co employees, for example portfolio managers. In addition to the arrangements relating to Gifts and Entertainment set out above, Rothschild & Co does not accept fees, commissions or research from brokers as these may influence Rothschild & Co dealers to use one broker over another, which may not achieve best execution for the Client. All investment research that Rothschild & Co receives from third parties must be paid for and it cannot make use of free research. Rothschild & Co pays for new research contracts negotiated by it. The firm's restrictions concerning the receipt (or payment) of inducements are contained in Rothschild & Co's Inducements Policy.

Preferential treatment of one Client over another

Conflicts of interest exist between different Clients or different types of Client where Rothschild & Co/its employees are incentivised to put one Client's/group of Clients' interests ahead of another, for example:

- There are times where there is limited (sparse) availability of securities to fulfil an order and the partially filled order will need to be allocated across the Clients participating in the order. To mitigate this conflict Rothschild & Co has a Fair Allocation Policy which sets out the approach the firm will take to allocate fairly partially fulfilled Client orders.

Conflicts of interest also exist where:

- Rothschild & Co employees and persons closely connected to them may hold positions relating to a Rothschild & Co Client in their personal capacity outside of their professional employment with Rothschild & Co. To mitigate this conflict, no Rothschild & Co employee may hold any additional occupation or hold a position outside the firm without the prior written consent of the Compliance Function. In certain circumstances, consent may be withheld. In some instances a two way letter will need to be signed between the third party and the employee stipulating that in any matters involving a conflict of interest, the employee will need to recuse themselves from any decision making.
- Rothschild & Co employees are related to or have close links with a prospective Client or Client. Rothschild & Co does not allow any employee to act for or otherwise be involved with a Client with whom the employee is related or has close links.
- Rothschild & Co employees receive gifts or entertainment from prospective Clients and Clients. The firm's Gift and Entertainment arrangements are set out above.

Using a connected firm for foreign exchange Client orders

Foreign exchange Client orders for Clients who custody with another Rothschild & Co Group entity are placed with the custodian for execution in accordance with Rothschild & Co's Terms and Conditions. The custodian executes all these orders with another Rothschild & Co Group entity. These trading arrangements give rise to a conflict of interest because Rothschild

& Co uses a single Group entity for execution which may not result in the best execution of Client orders. Rothschild & Co reasonably expects that the selected Rothschild & Co Group entity will enable it to obtain results for its Clients that are at least as good as the results that could reasonably be expected from using an alternative external entity for execution. As described above, Rothschild & Co monitors all transactions for best execution so that it can assure itself on an on-going basis that it achieves the best possible result for its Clients foreign exchange orders.

Using a connected firm for performing valuations of Clients' portfolios

Another Rothschild & Co Group entity, Rothschild & Co Bank AG, calculates the valuations of Clients' portfolios for client reporting purposes. Also, the firm's management fees are calculated as a percentage of the value of clients' portfolios. So, there is a conflict of interest. In order that this conflict does not adversely impact Clients, there is a complete segregation between the firm's and the other Group entity's systems and personnel which are responsible for calculating the value of clients' portfolios.

Investing Clients into Rothschild & Co products

As Rothschild & Co operates its own suite of funds, there is a conflict of interest that client advisers/portfolio managers invest Clients in a Rothschild & Co fund rather than a third-party fund or directly in the same securities that make up the fund. To prevent this conflict from adversely impacting its clients, Rothschild & Co clients who are invested in Rothschild & Co funds do not pay a management fee on this part of their investment portfolio. As such, Rothschild & Co does not directly financially benefit from this investment.

Rothschild & Co's Italian branch receives a share of management fees from another Rothschild & Co Group entity when a Client invests in the other entity's funds. The fee is for the initial and ongoing service provided by the Italian branch to the Clients in relation to these investments. There is a conflict of interest that the Client Advisers distribute to clients these funds even if this is contrary to the client's best interests. To prevent this conflict from adversely impacting its Clients, Rothschild & Co has implemented robust product governance and Compliance monitoring controls to support Client Advisers only to distribute these products to clients where it is in their best interests. In addition, Client Advisers remuneration is not linked to its Clients' investments in other Rothschild & Co Group entities' funds.

2.4 Contact details and further information

If you have queries about the Policy, please contact your client adviser. Where you make a reasonable and proportionate request for information regarding our policies and arrangements and how they are reviewed, we will answer clearly and within a reasonable time period.