Rothschild & Co
Wealth Management

2022

Sustainability and Stewardship Report

Contents

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Foreword

"To use a computer analogy, we are running twenty-first-century software on hardware last upgraded 50,000 years ago or more. This may explain quite a lot of what we see in the news."
— Ronald Wright, *A Short History of Progress*

Over millennia, humans have evolved to identify and respond to immediate threats. For most of our history, this served us well. Short-term threats were aplenty and neither the ability nor responsibility to plan decades ahead were yet upon us.

We now have a much greater understanding of the challenges facing humanity and the timeframes over which they could occur. Yet, as the above quote alludes to, is our very nature limiting the action being taken in response?

For instance, our understanding of the causes and effects of climate change has moved forward significantly in recent decades, but action to address it collectively falls short of the goals of the Paris Agreement. Is this because timeframes such as 2030, 2050, or 2100 feel so distant?

Possibly, especially as the modern world is not devoid of shorter-term challenges and threats, as demonstrated in 2022 by the tragic events of the war in Ukraine. In addition to the immediate humanitarian costs, the war also demonstrates the links between societies and our environment.

In response to Russia's aggression, Western nations have sought to reduce imports of oil and gas from Russia. This has led to a reshaping of energy markets, prompting debates around energy security now and over the long term, with environmental and social implications whatever the chosen path.

The providers and allocators of capital, us included, have a key role to play in the fair transition to a more sustainable global economy. But, while necessary, this alone will not be sufficient. Capital allocation needs to be combined with government policies containing credible mixes of carrots and sticks.

In that respect, 2022 may prove to be a seminal year with the signing into law of the Inflation Reduction Act in the United States. The Act directs meaningful government spending towards emissions reduction technologies, as well as environmental justice issues. This bold move is likely to increase the level of policy ambition on this side of the Atlantic.

However, not all policy moves have been positive. In parts of the US, 'ESG investing' has come under attack as a breach of fiduciary duty and a form of 'woke capitalism'. In our view this represents a fundamental misunderstanding of what our responsibilities as investors are. We believe that in the long-term sustainability factors are ultimately financial factors and need to be taken seriously. We take pride in the role we play as stewards of capital in 2023 and beyond.

Helen Watson
CEO, Rothschild & Co Wealth Management UK

A note from the sustainability and stewardship team

We published our first annual ESG report in 2016. Looking back, a lot has happened since that first publication and we've come a long way in our sustainability journey.

The world around us is constantly changing and so is our industry. We at Rothschild & Co Wealth Management UK are aware of the role and responsibilities we have. We continuously adapt to this changing environment, managing both the risks and opportunities that we are facing, balancing caution and conviction appropriately. This involves being open to new ideas, to different opinions and being prepared to challenge ourselves.

The change in the name of this report is just one simple example of our continued evolution. The related concepts of sustainability and stewardship go beyond the consideration of environmental, social and governance factors. Instead we see them as important factors for our purpose as a business, our duty to our clients, and our actions.

Our differentiated investment strategy puts us in a unique position to be an active owner of companies and funds. We build long-term partnerships with management teams of companies and third-party fund managers. As a strategic partner we often find that management teams come to us for feedback and we take the opportunity to shape the world around us seriously.

This year's Sustainability and Stewardship Report will highlight several of the interactions we have had with companies and fund managers. Given the quality of the assets we own, these discussions often centre around going from 'good to great'. We have put these highlights at the forefront of our reporting. Further details about who we are, our philosophy and our processes follows.

We hope you enjoy this year's report and welcome any feedback you have.

The Sustainability and Stewardship Team
Rothschild & Co Wealth Management

Sustainability

Highlights from 2022

EXTENDED SUSTAINABILITY MONITORING OF THIRD-PARTY FUNDS

We partner with a very select group of third-party fund managers across our portfolios 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 Diversifier 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.

Changes in 2022

We have considered a range of qualitative measurement points regarding sustainability and stewardship for the third-party Return Asset funds in our portfolios for several years.

In 2022, we expanded the number of areas considered and made a clearer distinction between the aspects we deem important at firm level and those we expect to be fund-specific in cases where the manager operates more than one fund.

In addition to evaluating the underlying portfolios for consistency with our exclusions (outlined later in this report), we have added a range of new data points to our ongoing monitoring.

Challenges 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 key components of our wealth preservation strategy, making portfolios more robust in challenging markets. Regarding sustainability, 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 derivatives-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 this area and are receptive to new insights that may emerge.

How we evaluate managers

Semi-annual in-depth review through the following lenses:

FIRM LEVEL CONSIDERATIONS

Semi-annual review to assess how embedded sustainability is within a third-party fund manager's overall strategy.

QUALITATIVE ASSESSMENT

ESG Policies

- Does the firm have an ESG integration policy?
- Does the firm have an active ownership policy?

ESG Resourcing and Oversight

- Does the firm have dedicated ESG resources?
- Does the firm have oversight structures?

Firm Commitments

- PRI signatory?
- UK Stewardship Code signatory?
- Net Zero commitment?

Active Ownership

We expect managers to vote on our behalf in shareholder meetings

FUND LEVEL CONSIDERATIONS

Bottom-up review conducted on a quarterly basis, led by the sustainability team in partnership with the fund's research team.

QUALITATIVE ASSESSMENT

- How processes feedback into investment decision making
- Controversial exposures in alignment with our red lines of the underlying holdings
- Active ownership efforts

QUANTITATIVE ASSESSMENTS

Metrics to monitor progression:

Environmental

- MSCI Climate Value at Risk
- MSCI Implied Temperature Rise
- Carbon footprint weighted average carbon intensity
- Carbon emissions disclosure and reduction targets

Social

- Sustainable business practices
- Diversity programmes

Governance

- Board independence
- Significant vote against pay practices
- At least 30% of board female

ADDITION OF A NEW 'ENABLER' TO THE EXBURY STRATEGY

At its core, our Exbury strategy shares the same objective as the New Court strategy our team has managed for over 20 years. This is to preserve and grow wealth in real terms over the long term. What makes the Exbury strategy unique is its ambition to identify assets or companies that also enable the fair transition to a low-carbon global economy. We call these holdings 'Enablers', and we have set ourselves an initial target to increase the proportion of the portfolio invested in Enablers from circa 30% at the beginning of 2020 to at least 50% by the beginning of 2024 (based on our Balanced risk profile).

Enabling activities

Within the enabling themes there are a large number of enabling activities, a range of these are detailed below...

POWERING OUR WORLD

- Renewable energy generation
- Energy distribution
- Energy storage
- Energy conserved or avoided
- Renewable energy utilisation

SUSTAINABLE TRANSPORT AND INFRASTRUCTURE

- Zero emission vehicles
- Efficient logistics
- Heating, ventilation and air conditioning
- Lighting
- Internet of things

RESPONSIBLE PRODUCTION AND CONSUMPTION

- Automation and robotics
- Consultancies
- Digitalisation
- Sharing economy
- Sustainable materials or technology
- Testing and inspecting
- Waste, recycling and water
- Precision agriculture
- Alternative proteins
- Resilient crops

FINANCE AND THE TRANSITION

- Banks
- Data providers and ratings agencies
- Investors as advocates
- Participation in carbon markets
- Financial market participants as advocates

Source: Rothschild & Co
The above activities are not exhaustive and are subject to change as the global economy develops over time.

We came into 2022 with just under 40% of a Balanced portfolio invested in Enablers. The growth from the beginning of 2020 has come from investments that are on both the Return and Diversifying side of the portfolio. On the Diversifying side, we added our Sustainable Bond Fund implementation vehicle – which provides access to a diversified range of labelled and other sustainability focused bonds – and the World Carbon Fund, bringing exposure to compliance carbon markets. On the Return side of the portfolio, we have developed partnerships with a select group of high-quality managers with a focus on sustainable companies.

Since the launch of the strategy, we had also been building a list of ideas of potential investee companies based on either our bottom-up view on the fundamentals of the business or by looking at our investable universe through the lens of positive environmental contribution. However, we were still waiting for an opportunity to arise where a company meeting both of these hurdles was available at a price we deemed reasonable. This changed in Q3 of 2022 when we initiated a position in Sika, the leading construction chemicals business.

Sika has a good track record of outgrowing the overall market through both organic growth and acquisitions. As the industry remains fragmented, there remains ample opportunity for them to grow further. We are attracted to Sika's business model, as the company provides high value-adding and mission critical products that make up a very small part of the overall costs of a construction project. Sika is a trusted brand in the industry, which is important for their customers, as any product failure can result in high retrofit costs. Furthermore, their customers value the technical service and training that Sika provides alongside its products, meaning that price is often not the most important selling point.

Sika

WHY IS SIKA AN 'ENABLER'?

The building and construction sectors account for nearly 40% of global energy-related carbon emissions. Decarbonising the global construction industry is therefore essential in order to tackle climate change.

Sika helps address this issue in three key ways:

- Admixtures reduce the CO_2 intensity of cement
- Developed a novel way to recycle concrete
- Products improve the ongoing energy efficiency and durability of the buildings they are used in

We track a range of metrics and indicators on these areas, both quantitative and qualitative to ensure that Sika is making a positive impact as an 'Enabler'.

WHERE MUST SIKA TAKE CARE?

We know that no company is perfect from an ESG perspective. Sika is no different and must focus on some key impact areas to minimise negative impact and enable progress towards achieving the goals of the Paris Agreement:

- Product safety
- Waste disposal

CLASSIFICATION AS AN 'ENABLER'

Enabling themes

- Responsible production and consumption
- Sustainable transport and infrastructure

Enabling activities

- Sustainable materials or technology
- Heating, ventilation and air conditioning

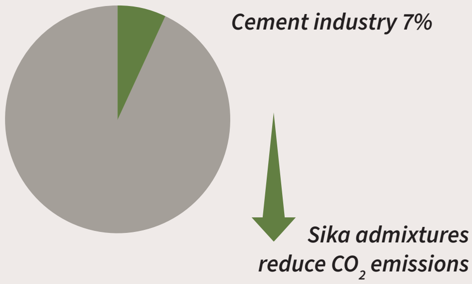
How is Sika doing as an 'Enabler'?

REDUCING CO_2 INTENSITY OF CEMENT

Cement production uses limestone, sand and clay and a lot of energy. Sika has developed admixtures that reduce the CO_2 intensity of cement.

Positive impact
Reducing the CO_2 released from the limestone and the energy required during the production process for cement.

The cement industry contributes 7% of total CO_2 emissions globally. Sika admixtures enable clinker substitution in cement mix which can reduce CO_2 emissions by 30%-40%.



RECYCLING CONCRETE

Sika reCO_2ver is an innovative concrete recycling technology using Sika additives gravel and cementitious material.

Positive impact
This reduces the consumption of natural resources for the production of concrete and is an important step towards the circular economy.

Sika has developed a novel way to recycle concrete which otherwise ends up in landfill.

IMPROVING ENERGY EFFICIENCY AND DURABILITY OF BUILDINGS

Products significantly reduce heat loss from buildings, ensure new structures can withstand environmental influences for a long time and that existing structures can remain in service for many more years.

Positive impact
Making buildings more energy efficient and reducing the consumption of natural resources to modify existing buildings and build new structures.

Sika solutions can increase the energy efficiency and durability of buildings.

Roofing products can reduce indoor temperature by up to 6%.

Refurbishment and coating products can increase the lifespan of buildings and reduce ongoing emissions by up to 30%.

Our approach

EMBEDDING SUSTAINABILITY

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

As such, we embed sustainability factors into the investment process, across 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 then 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 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 companies and emphasising 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 ones that manage them 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 and 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. 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 and not all 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 is 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 aforementioned Oslo Convention and Ottawa Treaty.
- **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 people and groups.
- **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 are facing 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.

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 sustainability 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 every industry and company faces 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.

Step 1 – Thematic materiality assessment

Includes an assessment of the following broad ESG themes based on the economic activity each portfolio company is involved in.

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 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.

Step 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.

Step 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.

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:

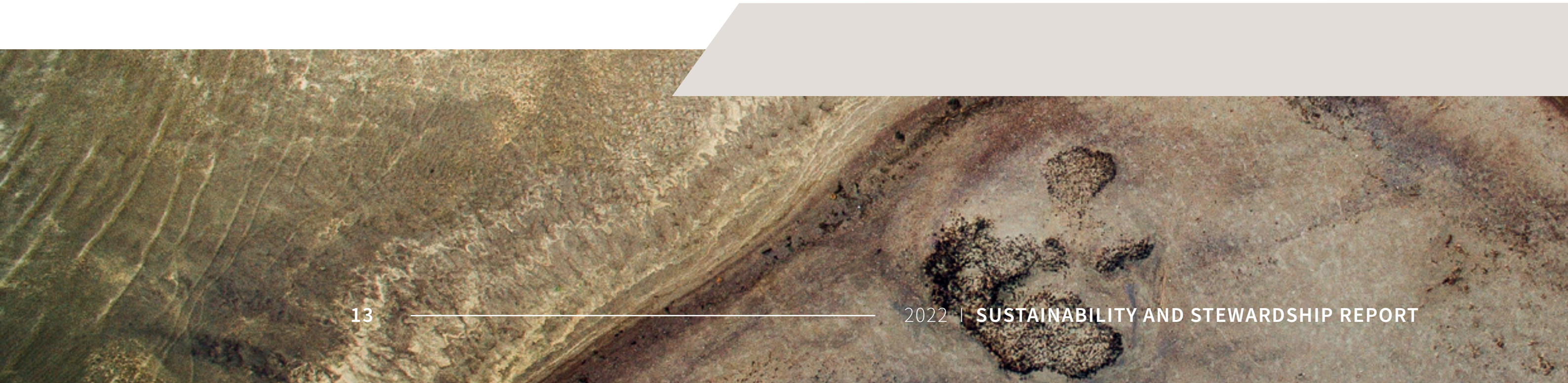
a) have a credible carbon emission reduction trajectory; or

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

Our process for third-party funds was developed further in 2022, as described earlier in this report.



Stewardship

Highlights from 2022 – Interactions

Selected interactions with portfolio holdings

Berkshire Hathaway Inc.

Interaction type: Letter to CEO

Topic(s): Disclosure of key sustainability metrics

Summary: Berkshire Hathaway is a large conglomerate with insurance operations, operating companies and a public markets portfolio. Berkshire is one of the few companies we invest in that is not reporting on key sustainability metrics, in particular greenhouse gas (GHG) emissions. In the absence of these metrics, it is impossible to set important emission reduction targets. The company is a clear laggard in this regard. Given limited access to the management team, we decided to write a letter to Warren Buffett, the CEO of the company.

What we discussed: In the letter, we laid out the importance of emissions disclosures. Berkshire is a complex company with many different underlying operating companies. Some of the key holdings separately disclose metrics, such as Berkshire Hathaway Energy (BHE) – one of the largest utilities in the US – and Burlington Northern Santa Fe (BNSF), one of the largest railroads in the US. While we appreciate these important disclosures, Berkshire needs to do more and mandate all underlying companies to disclose, aggregate this data and set ambitious and credible reduction targets.

Our letter provided three key reasons for better reporting:

1. Transparency allows for better informed decision-making by all stakeholders.
2. Signalling. We believe that every company must do its part in the transition to a low-carbon economy. Given the importance of the businesses that Berkshire owns and its position in the US economy, our view is that Berkshire should be setting an example for others.
3. Regulation. Sooner rather than later, the US will mandate companies to report on sustainability metrics. With the complexity of Berkshire, it is better to prepare for this moment and start the process now.

What we learned: We received a direct response from the CEO thanking us for our insights and pointing us to the annual letter that was about to come out. The annual letter contained a section written by the vice chairman of non-insurance operations, Greg Abel, about Berkshire's efforts on sustainability in the operating companies. Many of Berkshire's businesses have developed sustainability frameworks and are independently disclosing environmental initiatives and data, such as GHG emissions. The letter specifically highlighted BHE and BNSF as having long been engaged in delivering sustainable outcomes that benefit all constituencies, including customers, communities, state and federal governments and Berkshire's shareholders. Their direct GHG emissions represent more than 90% of Berkshire's direct emissions. Other subsidiaries, of course, are important, but Berkshire will have failed if BHE and BNSF do not achieve their GHG emissions reduction goals. The letter goes on to point out the specific efforts that are taking place at the various operating companies that have a positive impact on the real world.

Our contribution: In a large company such as Berkshire, it is hard to determine how much our contribution affects specific outcomes. At the very least, we have raised awareness with the CEO of how important this topic is for shareholders and what improvements can be made.

Next steps: We supported the climate-related resolutions at the AGM in April 2022, and we have continued to collaborate on this issue with the other investors involved in the Climate Action 100+ working group. We are encouraged by some of the progress we are seeing within several of the most important constituents of the company, but also believe that the company can still do better. Ultimately, we believe regulation will catch up with the company and it will need to step up its efforts dramatically when that happens.

Interaction type: Meeting with company

Topic(s): Suggestions for improvements to sustainability reporting

Summary: Deere is an agricultural equipment company. The company has a key role in farmers' operations and indirectly in feeding the planet. With that comes great responsibility, and from a critical standpoint, Deere can be seen to facilitate industrial scale farming. On the other hand, Deere is playing an important part in making farming more sustainable, something the company has argued for a long time. We understood the company's position from a qualitative point of view, but we argued that the case would be much stronger if Deere could back up its claims with data.

What we discussed: There are various aspects to consider when it comes to making farming more sustainable. The first that comes to mind is electrifying the farming fleet. But even though that is an important goal for the future, fuel consumption represents only a small part of total crop farming emissions. The most important and least appreciated of all is the use of fertilizer. It is estimated that more than 70% of farming emissions are caused by nitrogen production and use, while further environmental harm is caused by crop protection. Limiting nitrogen and herbicide use is therefore key to more sustainable farming, and Deere's precision agriculture solutions are targeting this problem. Based on this insight, we asked for specific metrics, baselines and targets to measure outcomes.

What we learned: In Deere's latest sustainability report, the company delivered on all these measures:

1. 2030 precision agriculture target – Ensure 75% of engaged acres are sustainably engaged acres*
2. Enhance agricultural customers' outcomes by setting the following 2030 targets:

   a. Increase crop protection efficiency by 20%
   b. Reduce 15% of customer carbon dioxide equivalent (CO_2e) emissions
   c. Improve nitrogen use efficiency by 20%

The above targets all come with a current baseline.

Our contribution: We had previously provided feedback that it would be useful to have more detailed descriptions of the metrics presented in their sustainability reporting and more information on the baselines they are using for their targets.

Next steps: We are impressed with the quality of the most recent sustainability report and see Deere as best-in-class. We now have the tools to monitor the progress Deere is making on its sustainability roadmap.

* Deere defines 'sustainably engaged acres' as the number of unique acres incorporating two or more sustainable John Deere technology solutions or sustainable practices over a 12-month period.

RYANAIR

We have held Ryanair in our New Court strategy since 2011. Over this period, we have seen the company evolve from a regional upstart to Europe's largest airline group. We have been impressed by Ryanair's ability to retain its distinctive entrepreneurial culture and focus on costs as the business has grown. However, this growth has required the governance at the company to mature and their growing environmental footprint to be recognised, as well as plans established to address it. We have enjoyed supporting Ryanair on this journey over the years and 2022 was no exception.

Shareholder Forum participation

Interaction type: Group meeting with company

Topic(s): Health and safety, EU airline ownership laws, consumer advisory panel, environmental performance

Summary: We attended a small investor group meeting in Dublin, which involved:

- a tour of Ryanair's new state-of-the-art training facility for pilots and cabin crew
- meetings with various senior and middle management, including the CFO, Chief Risk Officer, Director of Sustainability, Head of Customer Service, and members of the board of directors

What we discussed:

A wide-ranging presentation and discussion on topics including:

- Financial performance – focus on fuel costs
- Planned rotation of auditor
- Status of pay negotiations with workforce
- Recruitment
- Customer advisory panel
- Health and safety
- EU airline ownership limits and implications for voting rights
- New aircraft and the use of Sustainable Aviation Fuels (SAF)
- Sustainability reporting
- Interaction between the board of directors and senior executives

What we learned: Our meeting with Ryanair allowed us to deepen our knowledge and understanding of key ESG initiatives and discuss these with the individuals responsible for different areas.

We gained important insights into the collegiate and collaborative environment within the company and its focus on the customer.

Our contribution: Provided feedback and encouraged future events of this nature

Next steps: Moving forward, we will monitor the outcomes of the customer advisory panel and company's broader progress on ESG targets.

Meeting with CEO

Interaction type: Direct with company

Topic(s): Competitive environment and sustainability

Summary: As a long-term shareholder, we have good access to senior company management and meet with the CEO, CFO and investor relations on a regular basis.

What we discussed: The meeting was a regular meeting to discuss recent results, strategy and current operating environment.

What we learned:

Competitive environment:

- Ryanair has gained share in several markets.
- Their competitors had cut capacity and are struggling with unhedged fuel costs and labour shortages, whereas Ryanair kept their pilots and crews current throughout the COVID-19 pandemic.

Sustainability:

- Ranked No.1 EU airline and No.2 global airline for ESG by Sustainalytics.
- New Boeing 737 planes have 4% more seats, use 16% less fuel, and produce 40% less noise. Customer feedback has been positive.

Our contribution: Questioned medium-term growth pathways

Next steps: Monitor if market share gains can be sustained and the impact if fuel prices remain elevated.

Challenged policy for South African passport holders

Interaction type: Writing to Investor Relations

Topic(s): Procedure introduced to tackle increased prevalence of fake South African passports

Summary: In early June, Ryanair introduced an Afrikaans language test for all South African passport holders, a policy we did not understand and felt was misguided.

What we discussed: We contacted investor relations to challenge this policy.

What we learned: The company explained they had introduced the checks in response to notification of fake passports in circulation.

The airline is liable to fines if found to be transporting passengers with fake documentation.

We were not satisfied with the response; we considered the policy to be extreme and poorly judged.

Our contribution: Highlighted our concerns with the initial approach taken, such as its potential to cause offence and issues with its effectiveness.

Next steps: Communicated our dissatisfaction to Ryanair and subsequently prepared to escalate this issue to the relevant individuals. However before it reached this stage, the company dropped the policy.

Meeting with Chair of the board, Senior Independent Director and CFO after the AGM

Interaction type: Small group meeting

Topic(s): New aircraft, board composition, culture, sustainability

Summary: Attended of the AGM in Dublin in person and had additional small group meeting with the Chair of the board, Senior Independent Director and CFO afterwards.

What we discussed: New aircraft orders, industry capacity, board composition, culture at the company and its emissions reduction plan.

What we learned:

- The business growth opportunities facilitated by new aircraft and possible new routes
- The efforts being made to ensure the right mix of skills and experience are present on the board
- The different components of Ryanair's plan to reduce its carbon emissions

Next steps: Invited to attend an Investor Day in December for a select group of investors to discuss the pathway to net zero with Ryanair's research partners at Trinity College, Dublin.

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

Interaction type: Company event

Topic(s): SAF and aircraft developments

Summary: The event was hosted by Ryanair, including presentations from professors at Trinity College, Shell and Boeing.

What we discussed: The technical challenges of decarbonising air travel.

What we learned: The EU creating a European-based air traffic control system would reduce 90% of delays and reduce aviation emissions by 10%-15%.

Hydrogen is highly unlikely to be a viable aviation fuel given 1) energy density, 2) needs to be stored at −253°C and 3) huge land and transportation investments. The best use for hydrogen is as an energy source to produce SAF.

SAF is the key pillar for decarbonising by 2050. It is made from 100% renewable waste, such as used cooking oil, and can reduce emissions by up to 80%.

Ryanair is targeting 12.5% of flights to be fuelled with SAF by 2030, double the level to be mandated in the EU.

Signed contracts with Neste (leading producer of SAF) and OMV (Austrian integrated oil and gas company) for the supply of SAF.

Ryanair has signed a Science Based Targets initiative (SBTi) letter of intent and will start submitting data this year.

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

Interaction type: Communication with board of directors

Topic(s): New contract for existing CEO

Summary: We were consulted on the new contract being offered to longstanding CEO Michael O'Leary.

What we discussed: This was discussed at length internally before we met the Chair of the board and the head of the board's Remuneration Committee.

Our contribution: We suggested an increased net income target and removal of share price target in order for the CEO to fully realise the pay package.

Next steps: Some of our feedback was taken on board and, following the offer, Mr O'Leary has signed a new contract to keep him as CEO through 2028. We see this as a good outcome for the business and its stakeholders.

Linde

Interaction type: Meeting with CFO and investor relations

Topic(s): Impact of dislocations in energy markets and opportunities in hydrogen

Summary: Linde is one of the world's largest industrial gases businesses and a key supplier across multiple industries, including food and beverages, manufacturing, healthcare, and chemicals and energy. We believe several of its products, such as hydrogen, will play a key role in the transition to a low-carbon global economy. At the same time, Linde's own processes are highly energy intensive. Therefore, we spend a considerable amount of time monitoring developments of both of these aspects.

What we discussed: The impact of dislocation in energy markets on Linde's ability to supply its customers and the role of hydrogen as a potential solution to address climate change.

What we learned: The nature of their long-term contracts means they can pass through the costs of gas and electricity to their customers, making Linde's business more resilient when prices rise.

On hydrogen:

- The US is the fastest area of growth due to tax incentives offered by the new Inflation Reduction Act.
- Linde announced in September that it will build a new 35 megawatt electrolyser in New York. This will be the company's largest globally and will double its green liquid hydrogen capacity in the US.
- In August 2022, Linde opened the world's first hydrogen fuelling station for passenger trains in Germany, fuelling 14 trains and giving each 1,000km emission free range per fuelling.

Next steps: We continue to monitor Linde's progress against its 2028 and 2035 Sustainable Development Targets.

eurofins

Engagement type: Meeting with the CEO

Topic(s): Capital allocation

Summary: Eurofins is a global lab testing company focusing on food, pharma and environmental testing. As part of our role as stewards of capital, we regularly engage with companies on their capital allocation decisions. Following a meeting between Rothschild & Co Portfolio Managers and the CEO, the company launched its first share buy-back.

What we discussed: The meeting focused on long-term growth opportunities for Eurofins, how these are evolving and how COVID had impacted the trajectory. This led into a discussion around future capital allocation.

What we learned: The choice between organic or inorganic capital deployment was based on mid-term return on invested capital, with best ideas winning. Recent valuations had put most M&A out of reach as a result of low interest rates and high private equity participation, but the opportunity set was improving. The CEO was wary of big takeovers, as integration is not easy and there may be cultural issues. Instead, Eurofins favours small bolt-on acquisitions of a few labs. Greenfield operations need to be evaluated on a medium-term horizon as there are initial costs and no revenues in the early days.

This took us on to share buybacks. If acquisitions are looking expensive and the CEO thinks their own shares are cheap, then why not buy back shares instead? This prompted quite a debate on buybacks. The CEO said he felt uncomfortable 'speculating' in his own shares.

We explained that the idea is to buy them back – and cancel them – when they are cheap, not to trade them. The opposite of a rights issue. It was clear to us that this hadn't been discussed before either internally or with other investors.

Our contribution: We sent a copy of the 'Outsiders' book to the CEO. The book explains through a number of case studies how great owner/operators have created exceptional value over the years.

Next steps: A few months later, Eurofins decided to buy back shares as part of their capital allocation strategy.

In 2022, we had 269 interactions with existing and prospective external managers.

Long-only equity manager with developed market focus

Engagement type: Meeting with the portfolio managers

Topic(s): Discussion following addition of oil majors to the portfolio

Summary: This is a long-only global equity manager with a long-standing track record. We have been investors for many years and have full transparency into the portfolio and screen holdings against our sustainability policy on an ongoing basis. At times, the manager invests in companies that require a higher level of scrutiny given sustainability concerns. We will contact the manager directly when that happens to discuss the rationale. Energy exploration and production is one of those areas, and in Q2 2022, the manager added exposure to two oil majors, BP and Shell, representing circa 10% of the fund.

What we discussed: We wanted to understand the manager's rationale for investing in these companies. We discussed their investment thesis and how they considered, and will be monitoring, the material sustainability considerations specific to this industry. This included their thought process on the long-term sustainability of the business model for these companies, their part in the energy transition and how they will engage with management.

What we learned: The manager views these two companies as part of the solution to the energy transition, due to their scale and expertise. Their view is the transition could happen faster with companies exposed to both the old and new energy sources, as opposed to separating legacy businesses that are incentivised to run for as long as possible in order to maximise cash flows. They also expect BP and Shell to have the majority of their operations in renewable energy by 2030. There is additional opportunity from hydrogen and from large energy consumers coming to the energy companies to help them manage their own transitions.

Our contribution: Any investment in the fossil fuel industry is clouded in controversy these days. When we allocate to external managers, it is our remit to challenge the portfolio managers and make sure they have considered the different sustainability angles to the investment case. We will continue to play our role and challenge whether the transition plans of these companies are credible and on roadmap.

Next steps: The meeting made us comfortable with the level of consideration given to the climate-related risks and opportunities these businesses face. We share the view that divestment is not the solution to the problem as long as there is a clear alignment with and a pathway to the transition to a net-zero economy. As a matter of course, we will be monitoring the manager's regular reporting relating to these holdings. A material change in their weighting within the fund would prompt renewed direct contact on the subject.

Long-only equity manager with Asian focus

Engagement type: Meeting with the portfolio managers

Topic(s): Consistency of underlying holdings with manager's sustainability focus

Summary: This is a global asset manager with a prominent position in sustainability-led investing. We are invested in their Asian fund through the Exbury strategy.

What we discussed: We have felt at times that there is a disconnect between the sustainability initiatives at the firm and the expression of sustainability themes in the portfolio. The purpose of the meeting was to raise awareness of this disconnect and propose ideas how to elevate the sustainability characteristics of the portfolio in the future.

What we learned: The manager explained that the philosophy of the fund has not changed over the decade it has been running. They are focused on identifying high-quality businesses with great management teams that are driving the world towards a more resource-efficient future. What has changed over that 10-year period has been the extent to which the manager can drive change through industry initiatives. This has been supported by hiring senior people who have a credible seat at the table in these discussions, which has helped them become a more prominent voice in the industry.

Our contribution: The manager was thankful for our feedback and raising awareness of this disconnect.

Next steps: Based on our feedback, the manager decided to highlight one or two holdings per quarter from an investment case and sustainability angle.

Highlights from 2022

SUMMARY OF OUR VOTING ACTIVITY IN 2022

		Voted For	Abstained	Voted Against	Total	Votes against the recommendation of the board
Board of directors	Director compensation	-	-	-	-	-
	Election of directors	-	-	-	-	-
	Requirement for independent chair	-	-	-	-	-
	Size of board	3	-	-	3	-
Compensation	Advisory vote on executive compensation	212	-	1	213	1
	Compensation plan	1	-	2	3	1
	Compensation policy	1	-	-	1	-
	Compensation report	11	-	-	11	-
	Incorporating environmental and social factors into executive compensation	3	-	-	3	-
Capital structure	Allotment of securities	2	-	1	3	-
	Disapplication of pre-emption rights	6	-	1	7	-
	Payment of dividend	-	-	1	1	-
	Repurchase of shares	8	-	-	8	-
Financial reporting	Receipt of financial statements	8	-	-	8	-
Audit related	Ratification of auditor	4	-	-	4	-
	Remuneration of auditor	7	-	-	7	-
Strategic	Political donations	10	-	-	10	-
	Reporting on lobbying activities	21	-	-	21	-
Environmental	Climate reporting and management	6	-	-	6	-
	Climate change policy	3	-	2	5	1
	Pension alignment with climate goals	1	-	-	1	1
Social	Report on risks posed by failing to prevent sexual harassment	3	-	-	3	3
	Reporting on charitable donations	-	-	1	1	-
	Reporting on diversity and inclusion	-	1	-	1	1
	Reporting on ghost guns	-	-	1	1	-
	Report on respecting indigenous peoples' rights	-	-	1	1	-
	Government use of products or services	2	-	7	9	2
	Military use of products or services	-	-	1	1	-
	Pension funds and ESG	-	-	1	1	-
Governance	Supermajority provisions	-	-	1	1	-
	Charitable Donations Disclosure	-	-	1	1	-
	Tax Reporting	-	-	1	1	-
Administrative	Amendments to articles	-	-	1	1	-
	General Meetings	-	-	1	1	-
	Powers to carry out legal formalities	-	-	1	1	-
	Special meetings	19	-	-	19	-
	Total	331	1	26	358	10

COMMENTARY

The low turnover among our equity holdings means the total number of resolutions voted on in 2022 (366 resolutions across 20 meetings) was similar to the total for 2021.

One difference we observed compared to previous years was a meaningful increase in the number of resolutions presented by fellow shareholders, of which there were 37 in 2022, almost the number of the three prior years combined. The fact we voted against the recommendations of the board on 10 occasions in 2022 compared to six in 2021 can largely be attributed to this.

SIGNIFICANT VOTES

This section is new for this year's report.

In previous reports, we have provided highlights of votes we have deemed significant in the period. Now we would like to go further and report on all votes we have deemed significant over the year.

We define a significant vote as one which was either:

- Against the recommendations of a board
- On a resolution proposed by a fellow shareholder
- On a climate-related topic

In previous reports, we have provided highlights of votes we have deemed significant in the period. Now we would like to go further and present all votes we have deemed significant over the year.

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Company	Resolution No.	Resolution type	Proposed by	Board Recommendation	Our vote	Did resolution pass?	Comments
Deere	5	Special meetings	Shareholder	Against	Against	No	We deem the one-year holding requirement to call a special meeting reasonable and a form of protection against the promotion of short-term interests
Berkshire Hathaway	1-09	Election of director	Company	For	Against	Yes	We voted against the re-election of the Chair of the Audit Committee due to our concerns around climate related reporting
Berkshire Hathaway	2	Requirement for independent chair	Shareholder	Against	Against	No	The company already plans to name a non-executive director as Chair after Warren Buffett.
Berkshire Hathaway	3	Climate reporting and strategy	Shareholder	Against	For	No	The dislcosures made by the company in 2022 were a step in the right direction, but still fall short of our expectations
Berkshire Hathaway	4	Climate reporting and strategy	Shareholder	Against	For	No	Supported this resolution was consistent with our stance on resolution number 3 at this meeting
Berkshire Hathaway	5	Reporting on diversity and inclusion	Shareholder	Against	For	No	We agreed that the dislcosure of the EEO-1 data (where collection is mandatory for all US companies with more than 100 employees) would provide shareholders with useful information
Wells Fargo	5	Compensation policy	Shareholder	Against	Against	No	In our view, the company's existing policies are more robust than the proposal presented
Wells Fargo	6	Compensation Report	Shareholder	Against	Against	No	The company currently covers the spirit of the requests in this resolution through their comprehensive set of controls in connection with their Incentive Compensation Risk Management and performance management programs
Wells Fargo	7	Reporting on diversity and inclusion	Shareholder	Against	Against	No	We were comfortable with recent progress made by the company including the creation of a new role, the Head of Diverse Segments, Representation & Inclusion, reporting to the CEO. In addition the company was also conducting a human rights impact assessment, includes a specific focus on racial equity, overseen by the board's Corporate Responsibility Committee
Wells Fargo	8	Reporting on respecting indigenous peoples' rights	Shareholder	Against	Against	No	Voted against this resolution, consistent with our stance on resolution number 7 at this meeting

Company	Resolution No.	Resolution type	Proposed by	Board Recommendation	Our vote	Did resolution pass?	Comments
Wells Fargo	9	Climate reporting and strategy	Shareholder	Against	Against	No	Wells Fargo is making significant Climate Change efforts and does not need to necessarily conform to the efforts outlined in this resolution. ▪ Wells Fargo set a goal of net-zero greenhouse gas emissions by 2050 and committed to setting interim emissions targets for the Oil & Gas and Power portfolios no later than the end of 2022. Setting targets for carbon-intensive sectors is the approach banks are implementing to operationalize their net-zero commitments. This approach is guided by leading industry groups, such as the Net-Zero Banking Alliance (NZBA), which we joined in October 2021. ▪ Similar to how we leverage the IPCC's scenario analysis through our exposure to MSCI ESG, which is a choice of ours, we don't think it is appropriate to make the company beholden to one specific scenario analysis such as IEA especially at this early stage
Wells Fargo	10	Reporting on diversity and inclusion	Shareholder	Against	Against	No	Voted against this resolution, consistent with our stance on resolution number 7 at this meeting
Wells Fargo	11	Reporting on charitable donations	Shareholder	Against	Against	No	Additional reporting proposed would not provide material information for shareholders
Mastercard	5	Special meetings	Shareholder	Against	Against	No	We supported the company's proposal at this meeting to reduce the ownership threshold to 15% for the right to call a special meeting, rather than this proposal to reduce it to 10%
Mastercard	6	Political donations	Shareholder	Against	Against	No	Additional reporting proposed would not provide material information for shareholders
Mastercard	7	Reporting on charitable donations	Shareholder	Against	Against	No	Additional reporting proposed would not provide material information for shareholders
Mastercard	8	Reporting on ghost guns	Shareholder	Against	Against	No	We are comfortable that the company has sufficient processes in place to monitor for unlawful activity on its network
Charter Communications	3	Reporting on lobbying activities	Shareholder	Against	For	No	We supported this resolution as the existing public disclosures are not easy to find
Charter Communications	4	Requirement for independent chair	Shareholder	Against	For	No	Supported this resolution in line with our general preference for an independent Chair, noting that it would come into effect for future appointments
Charter Communications	5	Political donations	Shareholder	Against	For	No	Supported this resolution was consistent with our stance on resolution number 3 at this meeting

Company	Resolution No.	Resolution type	Proposed by	Board Recommendation	Our vote	Did resolution pass?	Comments
Charter Communications	6	Climate reporting and strategy	Shareholder	Against	For	No	The company has made progress on this topic over the last year. This resolution was encouraging the company to go further and report in alignment with both TCFD and the Climate Action 100+ framework
Charter Communications	7	Reporting on diversity and inclusion	Shareholder	Against	For	No	We agreed that the disclosure of the EEO-1 data (where collection is mandatory for all US companies with more than 100 employees) would provide shareholders with useful information
American Express	4	Requirement for independent chair	Shareholder	Against	Against	No	We are comfortable with the combined Chair and CEO role at this time due to the lack of other executives on the Board and the presence of a lead independent director
Constellation Software	5	Reporting on diversity and inclusion	Shareholder	Against	Against	No	We acknowledge that the company's disclosures could be stronger, but the proposed approach would be impractical in our view given the very large number of operating businesses
Booking Holdings	4	Special meetings	Shareholder	Against	Against	No	In keeping with the position we took at the Mastercard meeting, we believe the 10% ownership threshold is too low
Booking Holdings	5	Compensation policy	Shareholder	Against	Against	No	This resolution was encouraging the company to integrate climate metrics into executive compensation. While we are supportive of this in principle, we agreed with the board's assessment that this is premature given how new the company's 'Climate Action Plan' is. We are prepared to give them more time to work with their internal and external advisors and the Corporate Governance Committee on this topic
Comcast	4	Political donations	Shareholder	Against	Against	No	Additional reporting proposed would not provide material information for shareholders
Comcast	5	Reporting on diversity and inclusion	Shareholder	Against	Against	No	The company has provided reporting of this nature for many years and has expressed a commitment to the continued evolution of this reporting in line with best practice
Comcast	6	Reporting on diversity and inclusion	Shareholder	Against	Against	No	Voted against this resolution consistent with our stance on resolution number 6 at this meeting
Comcast	7	Reporting on conduct risks	Shareholder	Against	Against	No	We voted against this resolution as the company's processes have developed in recent years and there is direct responsibility for these issues at board level

Company	Resolution No.	Resolution type	Proposed by	Board Recommendation	Our vote	Did resolution pass?	Comments
Comcast	8	Pension alignment with climate goals	Shareholder	Against	Abstain	No	It is rare for us to abstain on a voting item, preferring to either support a resolution, or not. However, this case pitted our own view on the importance of considering climate change when investing against the complexities of US regulatory guidance around fiduciary duty
Linde	6	Supermajority voting provisions	Shareholder	Against	Against	Yes	A positive aspect of supermajority provisions is that they can bring stability and protect stockholders by preventing changes from being made unless they have broad support among a company's shareholders. In cases where shareholdings are concentrated, this can be to the benefit of smaller shareholders. However, in many cases supermajority voting provisions are seen to limit shareholder participation in a company's corporate governance. At Linde, five of the ten types of vote that require more than a simple majority are required to do so under Irish Law. For the others, we agreed with the board's assessment that it was in the best interests of shareholder to maintain the current position.
Microsoft	4	Reporting on diversity and inclusion	Shareholder	Against	Against	No	We agreed with the board's assessment that they do not provide detailed cost-benefit analyses of other aspects of running the business and believe it is unnecessary and counterproductive to single out diversity and inclusion
Microsoft	5	Reporting on diversity and inclusion	Shareholder	Against	Against	No	This proposal requested information on whether their hiring practices in relation to people with criminal records are aligned with their diversity and inclusion goals. We find the company's current initiatives and related reporting satisfactory
Microsoft	6	Pension funds and ESG	Shareholder	Against	Against	No	The range the plan offers participants includes sustainability focused options
Microsoft	7	Government use of products and services	Shareholder	Against	Against	No	Support the company's decision not to withhold technology from democratically elected institutions and supporting functions
Microsoft	8	Military use of products and services	Shareholder	Against	Against	No	Support the companies decision not to withhold technology from democratically elected institutions and supporting functions
Microsoft	9	Tax reporting	Shareholder	Against	Against	No	This area is becoming subject to additional EU regulation, which the board states their support for

Our approach

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. As stated above, we anticipate the nature of this work to be encouraging 'good to great' changes over responses to controversies, although we are also prepared to address the latter.

When a cause to engage with a company arises, 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 crucial 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 suggestions 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 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 fund, 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 consider initiating or joining 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 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 is 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.

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.

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 topics 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. **Communicated**

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.

This annual report provides our clients with our voting record on an annual basis and a summary is available quarterly. We disclose the 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.

Our partners

Service providers

MSCI

MSCI is a leading provider of ESG data and analytics. Since onboarding with MSCI in 2020, we have been able to make our sustainability integration processes more data driven, robust and repeatable, with MSCI's database complementing data we obtain directly from investments.

Developments in 2022
During 2022, the breadth and ease of access of MSCI's data proved critical as we addressed the EU's Sustainable Finance Disclosure Regulation and additions to the MIFID regulations for the EU domiciled aspects of our business.

Industry initiatives

PRI Principles for Responsible Investment

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

- understand the investment implications of ESG factors.
- support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

https://www.unpri.org/about-us/about-the-pri

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

Developments in 2022

The PRI's annual reporting and assessment process did not run in 2022. Instead, the organisation ran a consultation on the responsible investment landscape and the PRI's role within it. We participated in one of the workshops in London to provide our perspective.

THE INVESTOR FORUM

A not-for-profit, practitioner-led membership organisation, set up by institutional investors in UK equities. The Forum's purpose is to position stewardship at the heart of investment decision-making by facilitating dialogue, creating long-term solutions and enhancing value.

https://www.investorforum.org.uk/who-we-are/

We have been members since 2017.

Developments in 2022

None of our portfolio companies were engaged by the Investor Forum during the year. However, we did attend a number of broader events arranged by the Forum in 2022.

The Personal Investment Management & Financial Advice Association (PIMFA) is the trade association for firms that provide wealth management, investment services and advice to everyone from individuals and families to charities, pension funds, trusts and companies.

https://www.pimfa.co.uk/about-us/who-we-are/

Developments in 2022

Dan Drain (Portfolio Manager and Sustainability Strategist) joined PIMFA's Sustainable Finance Strategic Committee.

The Sustainable Finance Strategic Committee provides a platform to discuss wider sustainability and ESG-related topics, as well as a strategic direction for the PIMFA's sustainability/ESG work and engagement. The members assist PIMFA in forming an industry view and advise on any steps that should be taken to address sustainability and ESG-related concerns for the sector. The Committee also identifies opportunities and seeks to influence relevant sustainability/ESG regulatory and policy matters.

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

https://www.climateaction100.org/

We have been members since 2021.

Developments in 2022

We are supporting members of the Berkshire Hathaway engagement. For further details on this engagement, please refer to the Stewardship section earlier in this report.

SAY ON CLIMATE

Say on Climate is an initiative supported by the Children's Investment Fund Foundation (UK).

In order to manage the transition to net zero, the initiative encourages companies to adopt the following:

1. Annual disclosure of emissions
2. A plan to manage those emissions
3. An approval or disapproval vote where shareholders deem it appropriate

We have been supporters since 2021.

Developments in 2022

There were no 'Say on Climate' resolutions at the AGMs of our portfolio companies in 2022. However, we did support a similar resolution at Berkshire Hathaway as described earlier in this report.

Who we are

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 through 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.

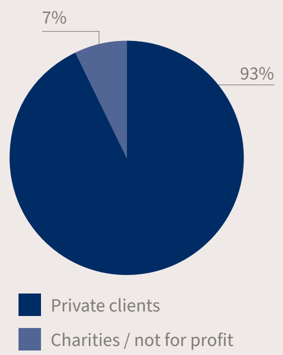
We look after £13.5 billion of assets as of 31st December 2022. More than 90% of our clients' portfolios are managed on a discretionary basis, with an 'inflation plus' return objective. We measure our success by the longevity and depth of our client relationships. Ultimately, the business's success depends on delivering successful investment returns for our clients.

Our 2027 vision is to be the best financial partner for successful families and individuals. 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.

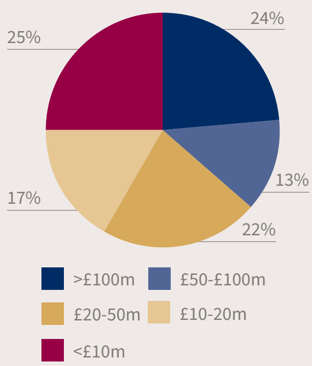
Given our distinct approach to managing portfolios, we spend a lot of time at the outset of the relationship getting to know our clients, understanding their priorities and motivations, and ensuring they fully understand our investment philosophy and approach. A key aspect of our investment offering is our client service. Clients have high expectations of Rothschild & Co Wealth Management UK, 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.

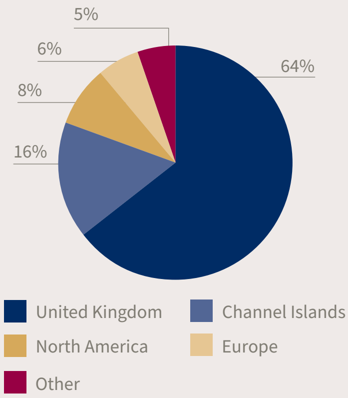
AUM (%) BY CLIENT TYPE



DISCRETIONARY AUM (%) BY SIZE OF PORTFOLIO RESIDENCY



AUM (%) BY CLIENT RESIDENCY



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 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.

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.

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)

Overview of our 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.

HALTON

Our most concentrated strategy investing in listed equities only.

EXBURY

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

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.

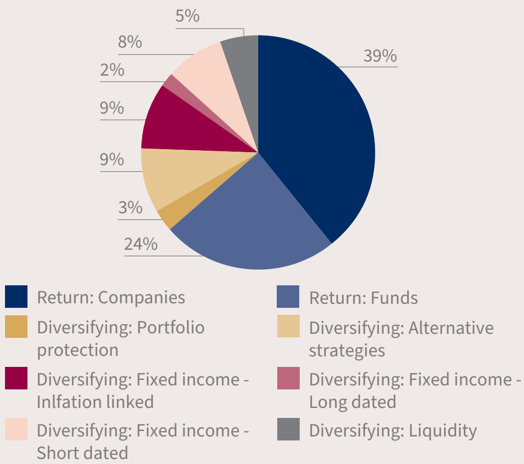
We call these 'Enablers', defined by a meaningful contribution to at least one of the four themes below:

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

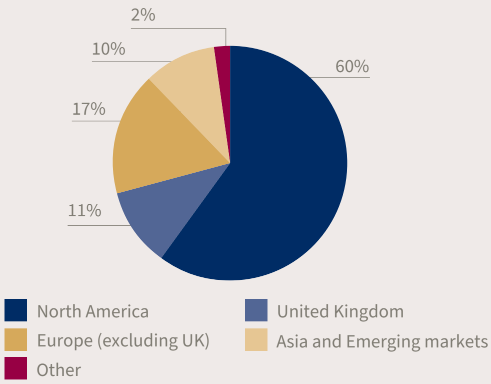
Allocations in a typical client portfolio

PORTFOLIO BREAKDOWN

Approximate allocations at the end of 2022 were:

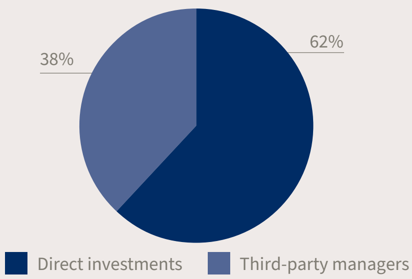


GEOGRAPHICAL BREAKDOWN OF RETURN ASSETS



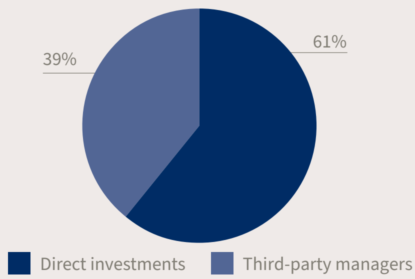
DIRECT INVESTMENTS VS. THIRD-PARTY MANAGERS

Return Assets



DIRECT INVESTMENTS VS. THIRD-PARTY MANAGERS

Diversifying Assets



The above allocations are based on clients with a 'Balanced' risk profile, which is representative of the assets at Rothschild & Co Wealth Management UK Allocations for clients with different risk profiles will differ

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
- 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.

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.

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

Communications

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 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 CDP?[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 examples

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.

Appendices

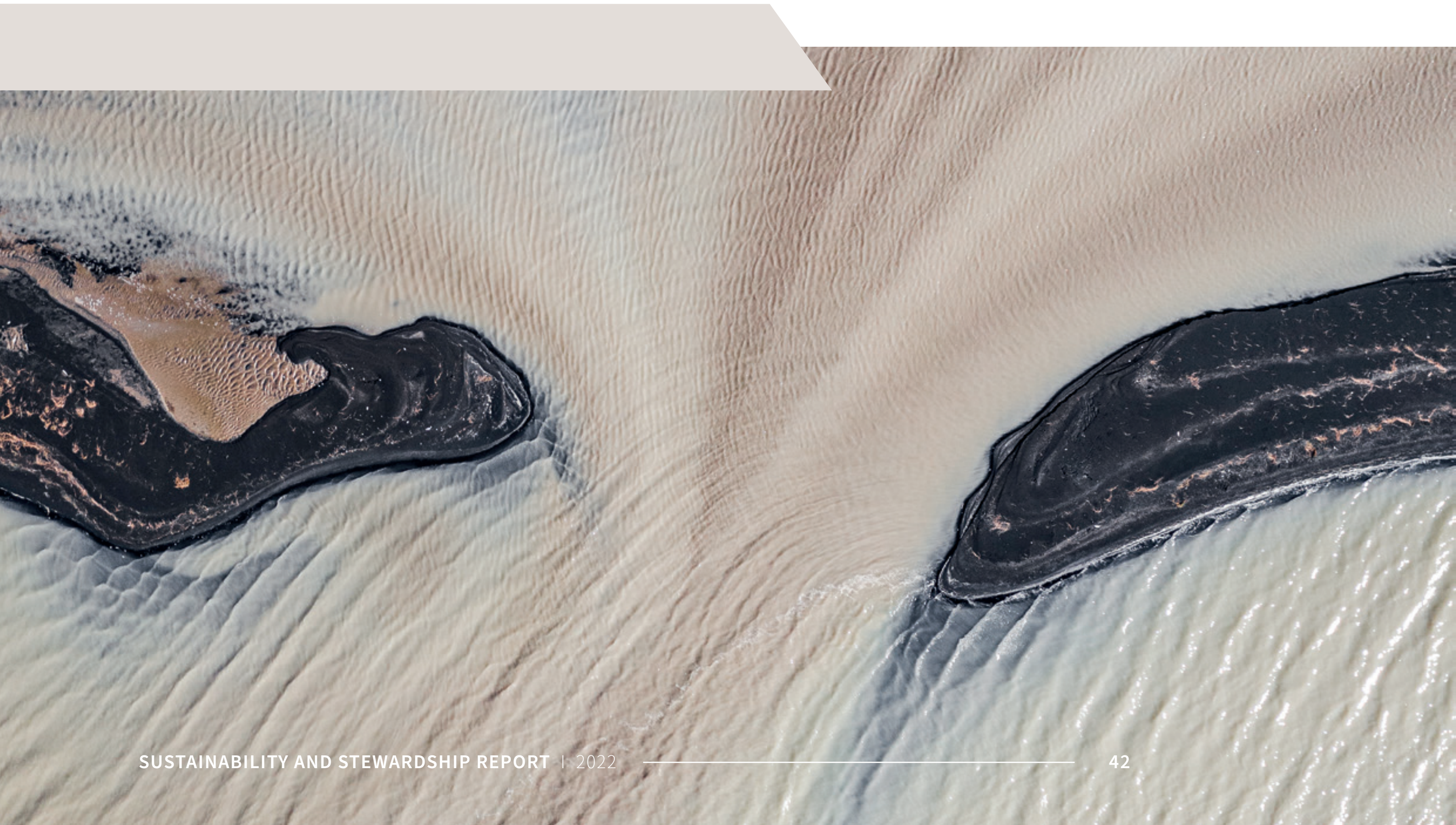
Appendix 1 – UK Stewardship Code mapping table

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.

The table on page 43 details where information relating to each principle can be found in this report.

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



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Appendix 2 – Governance at Rothschild & Co Wealth Management UK

Within Rothschild & Co Wealth Management UK, 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 of 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

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

Appendix 3 – 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

Appendix 4 – 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 any associated opportunities and risks
- 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 role of the Group Executive Committee (GEC) 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.

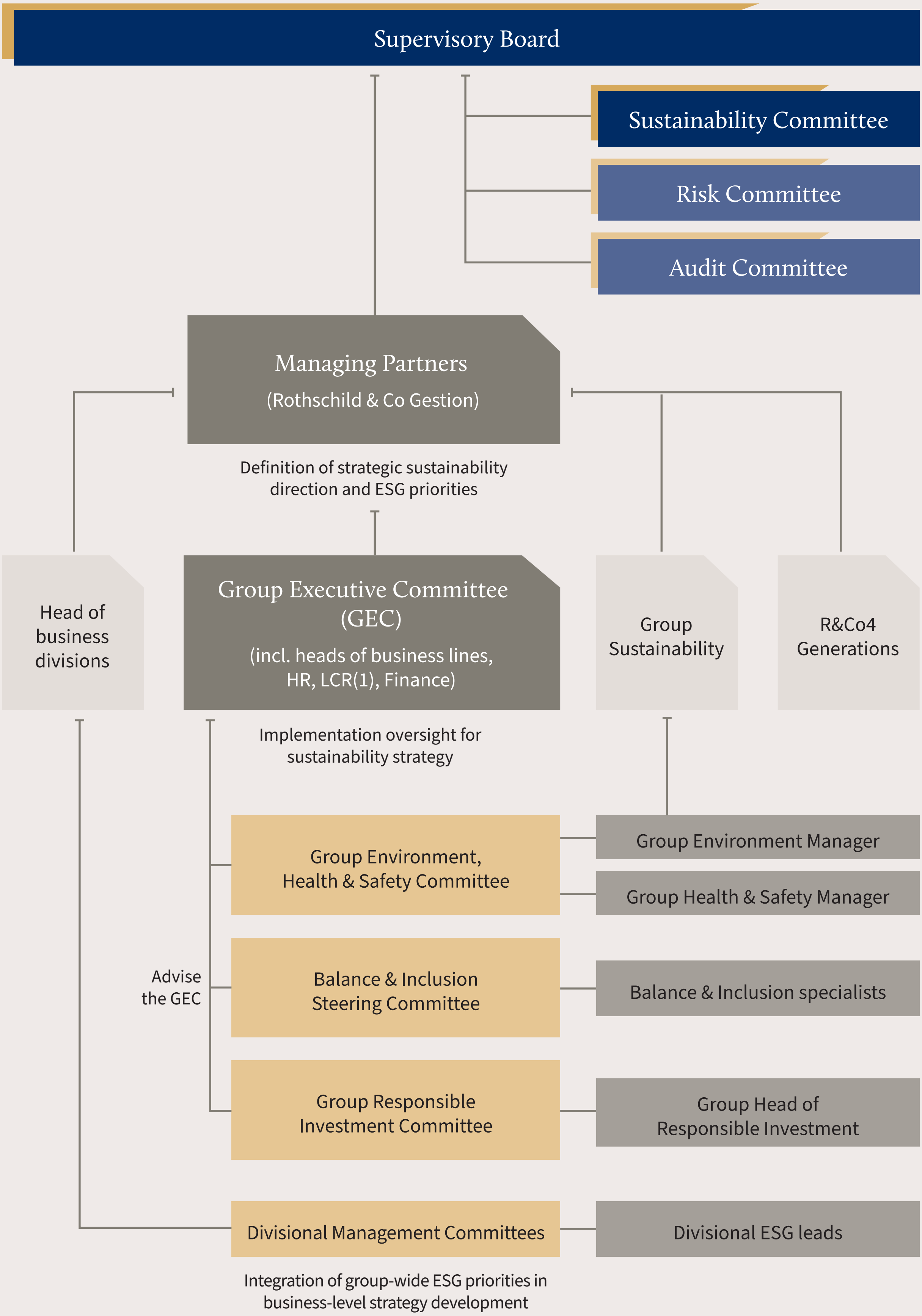
Divisional Management Committees for Wealth and Asset Management, Merchant Banking and Global Advisory are responsible for the integration of group-wide ESG priorities in their business-line strategy.

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. It 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.

Overview of governance arrangements



Overview of dedicated committees supporting the GEC

Group Balance & Inclusion Committee

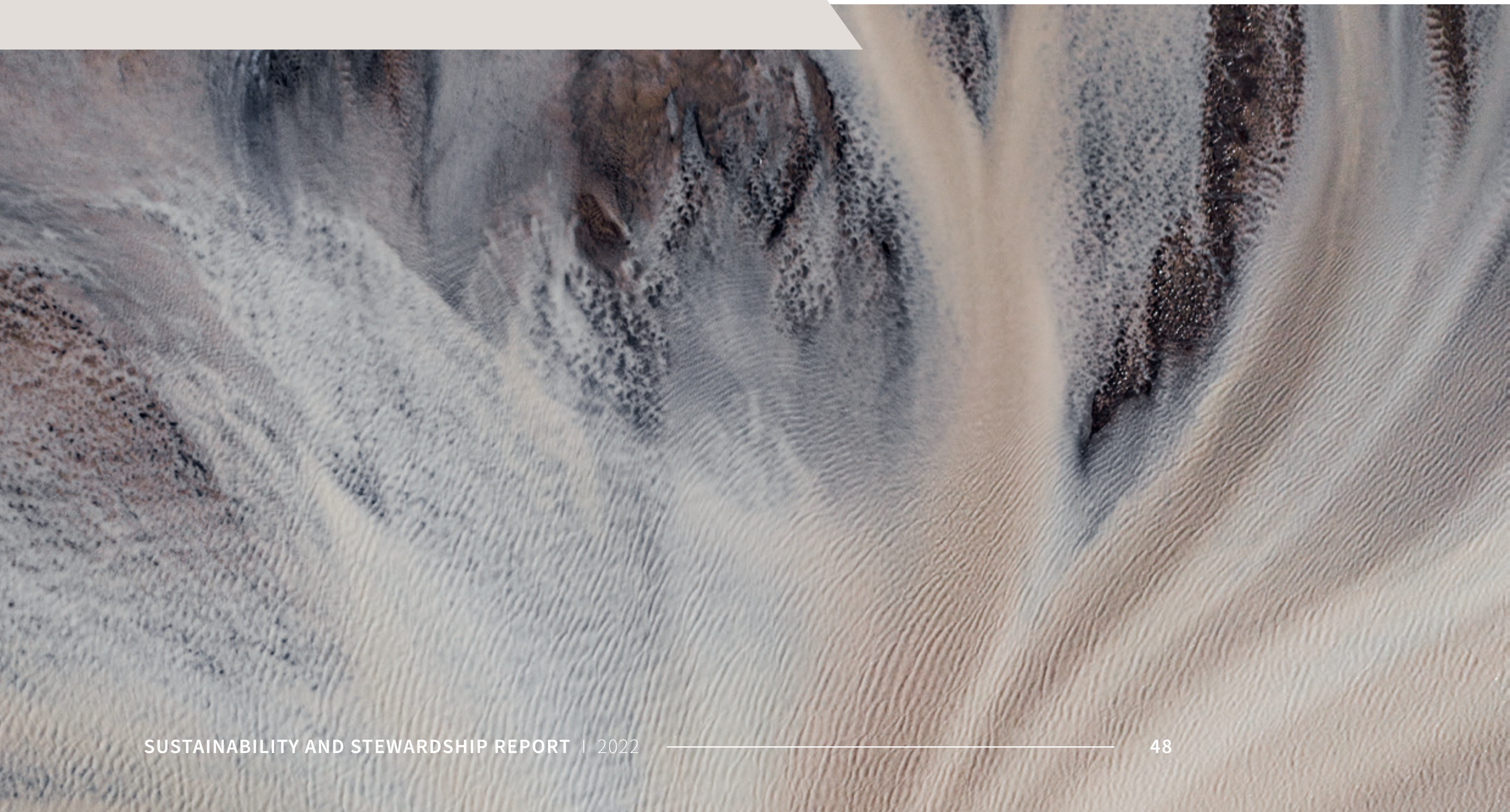
Committed to creating a diverse, inclusive and flexible environment which enables all colleagues to achieve their personal and professional aspirations, and to ensure that we provide long-term opportunities for growth.

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

Aiming to ensure consistency and accountability for the creation and implementation of responsible investment policies and approaches across the investment businesses.



Appendix 5 – 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.

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.

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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.

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.

Important information