Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

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

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

Product name:
CHF Conservative

Legal entity identifier:
549300ZQJQ5GQRDOBE68

Environmental and/or social characteristics

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

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

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

This financial product promotes several key environmental and social characteristics. Firstly, it supports companies that are committed to reducing their carbon emissions in line with global efforts to limit warming to 2°C or below. By prioritising such companies, the product fosters the advancement of technologies, processes, and practices aimed at mitigating climate change.

Additionally, the product promotes companies that generate at least 20% of their revenue or capital expenditure from goods and services with direct environmental and social benefits. These include areas like alternative energy, energy efficiency, green building, sustainable water management, pollution prevention, sustainable agriculture, nutrition, major disease treatment, sanitation, affordable housing, small and medium-sized enterprise financing, education, and connectivity.

Finally, the product encourages high standards of environmental, social, and governance (ESG) practices by focusing on companies with a minimum AA rating while excluding those rated below BB from MSCI ESG Research LLC. These companies set the benchmark for ESG performance in their industries, and by investing in them, the product not only drives their value but also encourages broader industry adoption of robust ESG standards.

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

  The sustainability indicators used by this financial product include the ESG rating, overall ESG score, and individual E, S, and G scores provided by MSCI ESG Research LLC. Additionally, specific Principle Adverse Impact (“PAI”) indicators are employed to measure environmental and social performance, such as:

  - PAI 2 – Carbon footprint
  - PAI 3 – GHG intensity of investee companies
  - PAI 4 – Exposure to the fossil fuel sector
  - PAI 5 – Share of non-renewable energy consumption
  - PAI 6 – Energy consumption intensity per high impact sector
  - PAI 7 – Activities negatively affecting biodiversity-sensitive areas
  - PAI 8 – Emissions to Water
  - PAI 9 – Hazardous waste ratio
  - PAI 10 – Violations of UN Global Compact principles and OECD Guidelines
  - PAI 11 – UN Global Compact/OECD guideline compliance monitoring system
  - PAI 12 – Unadjusted gender pay gap
  - PAI 13 – Board gender diversity
  - PAI 14 – Exposure to controversial weapons

  For thermal coal involvement, the Global Coal Exit List from Urgewald (a non-profit environmental and human rights organization)is used. Furthermore, an exclusion policy filters out companies with significant exposure to the production, supplying, retailing, and distribution of tobacco. Additional metrics include the implied temperature rise, revenue from sustainable impact solutions, estimated EU Taxonomy- alignment and capital expenditure, and a controversy score/flag, all provided by MSCI ESG Research LLC.

  Good governance practices are measured using the governance score from MSCI ESG Research LLC, which evaluates corporate governance and behaviour, including areas like ownership and control, board structure, pay, accounting, business ethics, and tax transparency.

  For Sovereign Investments, additional indicators include the corruption perception index from Transparency International, the ESG score, rule of law indicators from the World Bank, the non-cooperative tax jurisdiction indicator from the European Union, the fundamental rights score from the World Justice Project Rule of Law Index, ratification of the Paris Agreement, ratification of the UN Convention on Biological Diversity, the Gini index, and the Freedom House index. A decarbonisation assessment provided by Climate Action Tracker is also included. For third-party funds, the relevant sustainability indicators disclosed by the fund companies in the European ESG Template (EET) are used.

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

  The financial product's sustainable investment objectives, as defined by Article 2(17) of Regulation (EU) 2019/2088 (the Sustainable Finance Disclosure Regulation or "SFDR"), are built on three core principles:

  1. Positive contribution to an environmental or social objective,
  2. Do no significant harm,
  3. Good governance practices.

  a) Corporate Investments:

  According to the Rothschild & Co Bank AG (the "Bank") interpretation of these principles, and using data primarily from MSCI ESG Research LLC, a company is considered to have a positive contribution to an environmental or social objective if:

  - The company has carbon emissions reduction targets aligned with limiting global warming to 2°C or less, or
  - The company has a strategic focus on products with a direct social or environmental impact, where at least 20% of revenues come from such products. This can be verified through EU Taxonomy alignment via revenue and capital expenditure but not operational expenditure.

  If a company meets either of these criteria, the investment is regarded as sustainable.

  b) Sovereign Investments:

  For sovereign-linked financial instruments, Rothschild & Co Bank AG considers them to have a positive contribution if:

  - The country has a credible carbon emissions reduction trajectory, assessed by Climate Action Tracker, and
  - The country has ratified key environmental conventions and shows strong performance in areas such as corruption, rule of law, taxation, human rights, freedom, and inequality reduction.

  If a country meets either of these criteria, the investment is considered sustainable.

  c) Third-Party Funds:

  Third-party funds included in the financial product are considered to contribute positively to an environmental or social objective if they disclose sustainability related information under Article 8 or 9 under SFDR, and makes sustainable investments that are in line with the sustainable investment objective of this product.

The Bank pays attention to the validity of the sustainable investment allocations made by third-party funds.

In regard to Swiss Funds, the Bank practices a look-through approach ensuring that the strategies align with SFDR definitions and practices.

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

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

To ensure that the sustainable investments made by the financial product do not cause significant harm to any environmental or social sustainable investment objective, the following criteria are applied:

a) Corporate Investments: According to Rothschild & Co Bank AG's interpretation and based primarily on data from MSCI ESG Research LLC, companies are considered to meet the “do no significant harm” criteria if they:

- Do not breach OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) principles (PAI 10);

- Have no exposure to controversial weapons (PAI 14);

- Are not significantly involved in thermal coal production, exploration, mining, processing, or coal-powered generation per the Bank’s exclusion policy in our Sustainable Investment Approach;

- Have no significant involvement in the production, supplying, retailing, or distribution of tobacco per the Bank’s exclusion policy;

- Maintain an MSCI ESG rating of BB or above.

- Consider the following principal adverse impacts (PAIs):

o PAI 2 – Carbon footprint
o PAI 3 – GHG intensity of investee companies
o PAI 4 – Exposure to the fossil fuel sector
o PAI 5 – Share of non-renewable energy consumption
o PAI 6 – Energy consumption intensity per high impact sector
o PAI 7 – Activities negatively affecting biodiversity-sensitive areas
o PAI 8 – Emissions to Water
o PAI 9 – Hazardous waste ratio
o PAI 10 – Violations of UN Global Compact principles and OECD Guidelines
o PAI 11 – UN Global Compact/OECD guideline compliance monitoring system
o PAI 12 – Unadjusted gender pay gap
o PAI 13 – Board gender diversity

o PAI 14 – Exposure to controversial weapons

b) Sovereign Investments:

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

- Transparency International Corruption Perception Index > 40
- ESG score >= 4
- Rule of law indicator in the Worldwide Governance Indicators database by the World Bank > 0
- Not in the EU list of non-cooperative tax jurisdiction
- Fundamental rights sub-score of the World Justice Project Rule of Law Index >=0.5
- Ratified the Paris Agreement
- Ratified the UN Convention on Biological Diversity, with or without subscription of the Nagoya Supplement
- Gini index on equality of < 50
- Freedom House index = “Free”
- Furthermore, the decarbonisation plans, and efforts of the state must be considered either "sufficient" or "almost sufficient" by the Climate Action Tracker, an independent initiative with the major task of tracking government climate action against the agreed goals of the Paris Agreement of keeping the global average temperature well below 2°C. Regional and local governments inherit the same characteristics of the national government. Supranational organisations will generally inherit the sustainability characteristic of the state with the biggest underlying financing share.

c) Third-Party Funds:

Third-party funds selected by the investment strategies may include a portion of sustainable

investments that comply with the sustainable investment definition and the “do no significant harm” principle.

Rothschild & Co Bank AG reviews the sustainability definition of the underlying fund, evaluates its consideration of PAIs, and ensures that its exclusion policies are similar to those implemented by Rothschild & Co Bank AG (ensuring always that the criteria outlined in the answer to the question regarding “Binding elements” are met).

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

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

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

Our definition of sustainable investments for companies integrates the PAI 10 “Companies must not breach UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises”. Our assessment relies on data and research provided MSCI ESG Research LLC: “the overall company assessment signals whether a company has a notable controversy related to its operations and/or products, and the severity of the social or environmental impact of the controversy”.

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

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

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

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

☒ Yes, Yes, Rothschild & Co Bank AG recognises PAIs, as defined by the SFDR, as a crucial part of its sustainability analysis. One of the conditions for a company to be considered sustainable is that it must not cause significant harm to environmental or social objectives. To meet the "Do No Significant Harm" (DNSH) criteria, companies are required to report on a specific subset of PAIs, and the Bank assesses them on a penalisation basis to ensure no significant harm is done.

The following PAIs are considered:

- PAI 2 – Carbon footprint
- PAI 3 – GHG intensity of investee companies
- PAI 4 – Exposure to the fossil fuel sector
- PAI 5 – Share of non-renewable energy consumption
- PAI 6 – Energy consumption intensity per high impact sector
- PAI 7 – Activities negatively affecting biodiversity-sensitive areas
- PAI 8 – Emissions to Water
- PAI 9 – Hazardous waste ratio
- PAI 10 – Violations of UN Global Compact principles and OECD Guidelines
- PAI 11 – UN Global Compact/OECD guideline compliance monitoring system
- PAI 12 – Unadjusted gender pay gap
- PAI 13 – Board gender diversity
- PAI 14 – Exposure to controversial weapons

For industry-specific PAIs, companies are expected to not fall within the lowest quintile, and additional criteria are outlined for each PAI. The information on these PAIs is provided by MSCI ESG Research LLC, which also delivers insights into any violations of UN Global Compact principles and OECD Guidelines. Furthermore, the financial product enforces an exclusion policy, and any breach of this policy, such as involvement in controversial weapons (PAI 14) or violations of UN Global Compact principles (PAI 10), is considered harmful and leads to disqualification from being considered a sustainable investment.

☐ No

What investment strategy does this financial product follow?

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

The financial objective of the product is to achieve a superior risk-adjusted performance over the medium to long term through security selection and tactical asset allocation. Moreover, the product commits to a minimum share of investments with E/S characteristics of 30%, a minimum share of sustainable investment of 15% and a minimum of 15% will be invested in sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy regulation.

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

A) Common investment exclusion policy framework

(1) Exclusion of companies that have any tie with the production or distribution of controversial weapons.

(2) Exclusion of companies that breach one or more of the principles of the UN Global Compact.

(3) Exclusion of companies involved in thermal coal production, exploration, mining and processing, and power generation using thermal coal per the Bank's exclusion policy:

a. Involved in new thermal coal mining, thermal coal fired power plants nor in the development or expansion of coal transportation assets nor other coal-related infrastructures;

b. Coal share of revenue of more than 10% for companies from the mining and power sector;

c. Coal share of revenue of more than 50% for companies involved in coal services such as coal exploration, processing, trading, transport & logistics, equipment manufacturing, coal-related maintenance and engineering services, and coal-to-liquids and coal-to-gas production;

d. Annual thermal coal production exceeds 10 MT per year;

e. Installed coal capacities are greater than 5 GW.

(4) Exclusion of companies with significant exposure to the production, supplying, retailing and distribution of tobacco per the Bank's exclusion policy:

a. Producers (5% of revenue)

b. Suppliers, retailers and distributors (15% of revenue).

B) Minimum ESG rating of BB according to MSCI ESG Research LLC

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

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

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

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

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

In measuring good governance practices, the Bank uses the governance score developed by MSCI ESG Research LLC and emphasises certain criteria. This metric is a numerical value, that can range from 0-10 and is one of the three Environmental, Social and Governance pillars of the overall MSCI ESG rating. The governance score covers the themes of corporate governance and corporate behaviour. Topics such as ownership and control, board, pay, accounting, business ethics and tax transparency are considered across both themes. The Bank requires a governance score of at least 3, with additional weight being placed upon financial materiality such as remuneration, tax and bribery & corruption. Good Governance is measured as follows:

Qualitative Governance

- At least 50% independent board members
- Measures or policies to monitor employee satisfaction
- Compliance with the UN Global Compact Principles

Financial Materiality

- Under 10% of shareholders voted against some company's pay policies and there are no severe controversies concerning remuneration practices
- The company does not pay less than 20% taxes compared to its statutory tax rates and there are no severe controversies concerning taxes.
- Robust bribery and anti-corruption policy in place and facing no significant allegations of bribery or corruption.

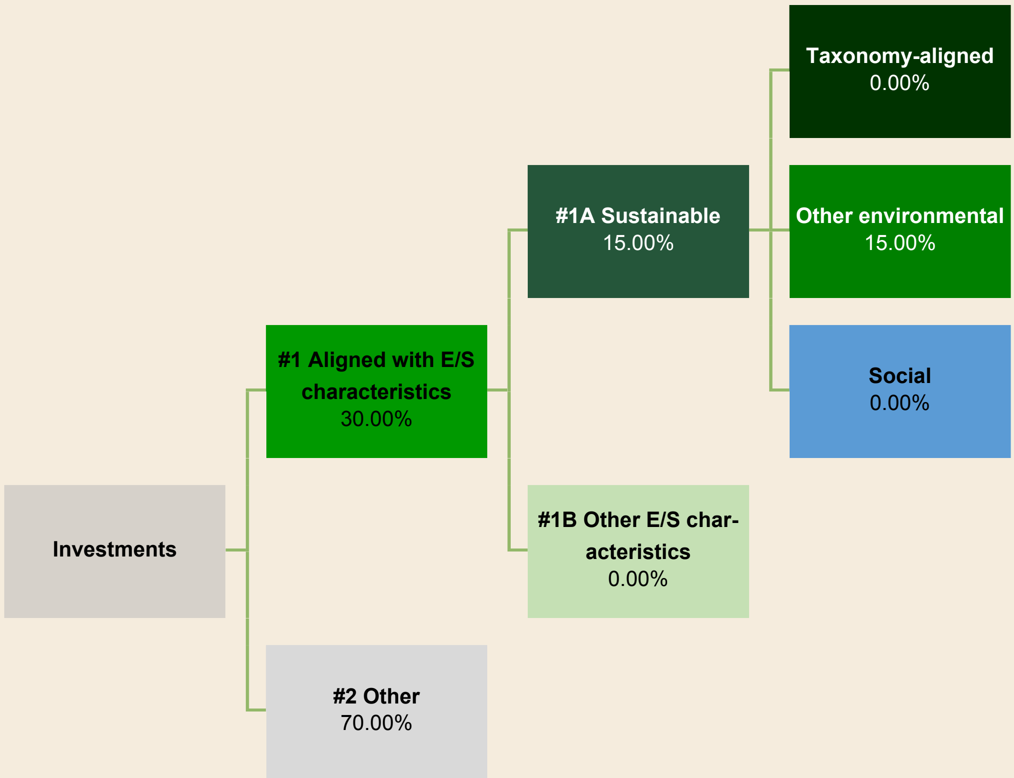
MSCI Governance Score: Incorporates all indicators as per the MSCI methodology.

What is the asset allocation planned for this financial product?

This product will be invested in investments with environmental and social (E/S) characteristics of at least 30% (minimum). The share of sustainable investments and the share of investments with other E/S characteristics contribute to this share. The share of sustainable investments must be at least 15%. A minimum of 15% will be invested in sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy regulation. Other investments will be set at a maximum of 70% and can include investments which are neither aligned with environmental or social characteristics, nor are qualified as sustainable investments.

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



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

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

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

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

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

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

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable - the Bank does not measure the alignment of the product's investments with the EU Taxonomy. However, one condition to be considered as sustainable by the Bank is to have a share of revenues in sustainable impact solutions of at least 20%. The company can have at least 20% of its total revenues or capital expenditures derived from products/services that have a positive environmental and/or social contribution as defined by the EU Taxonomy Regulation or MSCI ESG Research LLC.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

- ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?***

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments **including sovereign bonds***

- Taxonomy-aligned (no fossil gas & nuclear): **0**%
- Non Taxonomy-aligned: **100**%

Total Taxonomy-aligned: 0%

2. Taxonomy-alignment of investments **excluding sovereign bonds***

- Taxonomy-aligned (no fossil gas & nuclear): **0**%
- Non Taxonomy-aligned: **100**%

Total Taxonomy-aligned: 0%

The graph represents -% of the total investments.

** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

[1]Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

- ***What is the minimum share of investments in transitional and enabling activities?***

  The product does not commit to a minimum share of transitional and enabling activities as defined by SFDR.

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

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

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

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

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

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

  Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

  Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

  Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

  Not applicable.

Where can I find more product specific information online?

More product-specific information can be found on the website:
https://www.lu.rothschildandco.com/explore-our-funds