



Stewardship guidelines

April 2023

General information

These guidelines apply to Rothschild & Co Bank AG (the 'Bank'), which is a bank incorporated in Switzerland and a 100% subsidiary of Rothschild & Co, a French partnership limited by shares listed on Euronext in Paris.

In Germany, the Rothschild & Co Vermögensverwaltung GmbH is a 100% subsidiary of the Bank. The guidelines policy also applies to the subsidiary.

The main business activity of the Bank is wealth management and investment advisory services for private clients. The Bank also acts as an investment manager for certain funds.

This document describes how voting rights of the financial instruments held in portfolios managed by the Bank are exercised. It also sets out our engagement process with regard to those financial instruments held in the managed portfolios. Portfolios under discretionary management comprise both clients' assets in custody with the Bank as well as assets managed by the Bank held in custody at other financial institutions.

1. INTRODUCTION

The Bank sees good stewardship through its engagement and voting activities as one of its key responsible investment objectives. The Bank's approach to stewardship considers three aspects:

- Exercise of voting rights:** the voting guidelines set out the Bank's objectives and governance framework for voting. As an active and responsible shareholder, the Bank believes that voting at shareholders' meetings is a key element of participating in investee companies' decision-making processes.
- Individual engagement initiatives:** for the business, good stewardship starts with active monitoring of securities held in portfolios and engaging with companies and fund managers on topics that are fundamental to the ESG integration process.
- Collective engagement:** Collaborating with other investors to promote ESG topics through effective corporate channels. Investment teams and dedicated staff are involved in this active engagement process.

The Bank carries out its stewardship activities in accordance with the arrangements for identifying and managing actual or potential conflicts of interest. This is reviewed at 4.0 below.

2. VOTING GUIDELINES

The present voting guidelines aim to guarantee the interests of our clients' investments.

2.1 Scope of the voting guidelines

These guidelines apply to companies whose stocks are held in the Bank's model portfolios.

Most of the Bank's discretionary mandates and funds are invested according to these model portfolios. The model portfolios are global and are generally invested in a selection of North American and European large to mid-capitalisation stocks.

The Bank publishes an annual report, which transparently sets out details about voting decisions and conditions under which they have been undertaken.

2.2 Voting principles

The Bank has partnered with Institutional Shareholder Services (ISS) to ensure voting activity receives the relevant expertise and support. ISS performs a deep analysis of the resolutions submitted for shareholders' approvals and enjoys a strong track record in its voting policy, which helps to reach high participation rates at shareholder meetings.

The voting principles are designed to follow socially responsible investment principles (SRI) with a strong focus on environmental and social issues. To this end, ISS proposes voting decisions in accordance with its SRI policy.

The main principles of the voting policy, which reflects ISS's SRI policy are:

- Orientation:** Companies should commit to the 'triple bottom line' – profit, people and planet – by focusing as much on social and environmental concerns as they do on profits.
- Board:** Companies' board independence should be at least 50%. Composition, accountability and responsiveness of boards – including on matters such as diversity will be assessed.

- c. **Compensation:** Alignment of pay and performance vis-à-vis ESG topics, presence of problematic compensation practices and shareholder value transfer will all be reviewed. In addition, criteria to limit the equity compensation of management and employees – designed to avoid excessive dilution – will also be taken into account.
- d. **Environmental and social:** Support will be lent to shareholder proposals which advance social, environmental and labour/human rights issues.

A detailed description of ISS's Socially Responsible Investment (SRI) policy guidelines can be found at: www.issgovernance.com/policy-gateway/voting-policies/ in the tab 'Specialty Policies'.

However, the Bank remains the ultimate decision maker and decides how to vote in the sole interest of its clients. The voting decisions might therefore differ from ISS's proposals in some cases and the Bank may pay attention to specific situations arising from activist funds, transformational and structuring operations or forthcoming management changes.

All proxy-voting decisions are ultimately validated by the Bank's Investment Committee.

2.3 Voting rights exercise

The Bank reserves the right to exercise its voting rights at annual general assemblies (AGMs) and extraordinary general assemblies (EGMs) of the companies it owns.

The Bank does not exercise voting rights if:

- A security's immobilisation period could interfere with day-to-day fund management and harm the interests of clients.
- Resolutions and recommendations are not transmitted and submitted in time to the investment management team for review.
- Exercising voting rights is expensive, so the Bank decides to abstain to guarantee the interests of investors.

The shareholders' voting right is normally exercised through proxy voting. Other ways of voting are very rarely used.

2.4 Securities lending

As a matter of course, the Bank does not lend client securities. The Bank and its custodians have no security lending arrangements in place either within the Rothschild & Co group or with other financial institutions. As a result, this does not restrict its ability to vote.

3. ENGAGEMENT

Engagement is one of the most powerful tools the Bank has as investors to influence positive change. As active owners of investments the Bank can be agents for change – influencing the way companies and fund managers manage their ESG risks and opportunities. If the Bank can encourage companies to operate more sustainably, not only will this lead to better investment outcomes, but ultimately will create more positive outcomes for society and the environment. The Bank views engagement as an ongoing conversation, as it listens to the challenges companies face and provide honest feedback as shareholders.

The Bank aims to maintain strong direct relationships with the companies in which it invests. It also recognises that a body representing a wide range of investor views can be a particularly effective way of bringing about change and greater focus on long-term management. Therefore, the Bank aims to prioritise engagement activities through collective actions where it is in clients' best interests to do so.

3.1 Membership to organisations promoting sustainable and social investing

Rothschild & Co Bank AG is a member of the Swiss Sustainable Finance platform along with the UN's Principles of Responsible Investment. An objective of these membership bodies is to facilitate collective engagement in the field of responsible investing. Further information can be found at:

- i. www.sustainablefinance.ch/
- ii. www.unpri.org/

3.2 Participation in ESG initiatives with other investment units of the Rothschild & Co group

Rothschild & Co's business divisions are members of a wide range of engagement platforms serving the needs of clients and investment teams across different regions. Leveraging these resources, Rothschild & Co Bank AG works with other investment units across the group in order to participate in investor initiatives and engage with companies. An example of this is the European Asset Management's membership to the Climate 100+ initiative which encourages – through engagement – the world's largest corporate greenhouse gas emitters to take necessary action on climate change.

3.3 Direct engagement

As part of the due diligence process, the Bank has built strong relationships with the companies and funds it invests in. Direct engagement provides the opportunity to listen to the issues companies and fund managers face and the chance to provide direct feedback as shareholders. The Bank's analysts use this form of direct dialogue to raise ESG issues directly with the management of the companies and funds it invests in, where it sees this approach as the most appropriate and cost-effective way of enacting change.

4. CONFLICTS OF INTEREST

Being good stewards of clients' capital also requires arrangements for identifying and managing actual or potential conflicts of interest. The Bank's conflicts of interest policy states that it should act in a manner consistent with the best interests of clients. The Bank should treat its clients fairly, returning the trust and confidence they place in us.

In order to detect, prevent and manage potential conflicts of interest, the Bank has undertaken, among others, the following actions:

- a. **Creation of information barriers** between the divisions Global Advisory and Wealth Management.
- b. Implementation of procedures to deal with conflicts of interest to meet the requirements outlined in the **Code of Conduct** issued by the Rothschild & Co group.
- c. Assessment and review of the Bank's conflicts of interest policy on an at least annual basis, as well as undertaking all appropriate measures to address any deficiencies.

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Rothschild & Co Bank AG
Zollikerstrasse 181
8034 Zurich
+41 44 384 71 11
[rothschildandco.com](https://www.rothschildandco.com)

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