Stewardship Report
2020

Foreword

The wealth management industry can play a pivotal role in driving change and helping to tackle some of the world's greatest challenges.

When clients trust us to be the custodians of their wealth, their voice becomes part of the £12 billion we are investing. That voice becomes a chorus when it joins the £3 trillion of total capital represented by the companies and funds in which we invest.

We call this 'the ripple effect'.

Our investee companies ultimately provide the goods and services that billions of people worldwide rely on every day, from the food they eat to the way they travel and pay their bills.

So, as professional investors, we know our decisions make a difference. And we are committed to investing responsibly, not only because this enables us to deliver long-term sustainable returns to our clients, but also because it's the right thing to do.

Active stewardship is therefore fundamental to our investment approach. We want to help shape the future so that it aligns with the causes and issues that are important to us all. Through our investments, we aspire to preserve both the wealth of future generations as well as the environment and society they will inherit.

We are strong supporters of the UK Stewardship Code and are pleased to present Rothschild & Co Wealth Management's submission for 2020, a year in which COVID-19 undoubtedly brought the importance of effective stewardship into sharper focus.

In this report, we explain how our investment approach and engagement activities reflect our ongoing commitment to stewardship, as well as the specific measures we – and the companies in which we invest – took to navigate the pandemic.

We acknowledge that we don't have all the answers. However, we constantly strive to improve our approach to stewardship in order to make better investment decisions for a fairer, more sustainable future for everyone.

Helen Watson
CEO Rothschild & Co Wealth Management UK

Contents

Principle 1

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Rothschild & Co has been at the centre of the world's financial markets for more than 200 years and is today in its 7th generation of family ownership. The group is chaired by Alexandre de Rothschild, who took over from his father, Baron David de Rothschild, in 2018 as part of a planned succession.

Rothschild & Co consists of three established businesses: Global Advisory, Merchant Banking and Wealth and Asset Management. Our purpose is to provide a distinct perspective that makes a meaningful difference to our clients' businesses and wealth.

The Rothschild family ownership 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 are able to 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.

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 businesses

43	62	3,587
countries	locations	employees

> " Our philosophy has always been to manage our clients' assets with the same diligence and care as our own business. "
>
> Alexandre de Rothschild – Executive Chairman

As one pillar of our strategy, we encourage a culture of responsible business and take responsibility for the impact we have as a business on our people, our industry, our communities and our planet:

- **Responsible people culture**
  We aim to attract and retain the most talented people from a diverse range of backgrounds, cultures and experiences by creating an environment that empowers our people to grow, deliver and excel.
- **Responsible investment solutions**
  We want to play an active role in influencing business practices and drive investments towards a more sustainable economy.
- **Responsibility for our communities**
  We want to effect positive change in our communities and help make a meaningful difference to young people from disadvantaged backgrounds.
- **Responsibility for our environment**
  We are strongly committed to contributing to a more environmentally sustainable economy and limiting our environmental impact.
- **Responsible business practices**
  As one of the world's leading independent financial services groups, we place high emphasis on good conduct, based on personal accountability and commitment in the way we work with each other and our clients and partners.

(More information can be found in our Corporate Responsibility Report here).

Industry initiatives we support

Rothschild & Co is a signatory to the United Nations (UN) Global Compact and is committed to supporting its 10 key principles, which focus on human rights, labour rights and working conditions, the environment, and anti-corruption.

PRI Principles for Responsible Investment

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

CDP DISCLOSURE INSIGHT ACTION

Rothschild & Co has been an Investor Signatory since 2017

THE INVESTOR FORUM

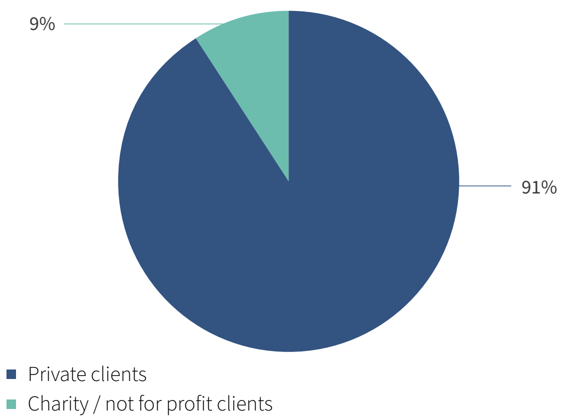
Rothschild & Co Wealth Management UK has been a member since 2017

Wealth Management's role within the Group

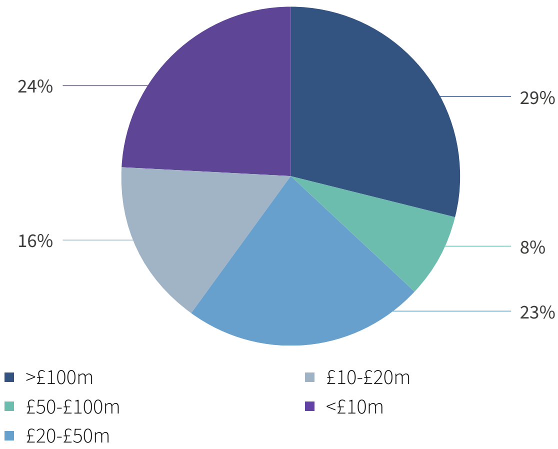
Rothschild & Co Wealth Management UK is part of the group's Wealth and Asset Management division. We provide discretionary investment management to a wide range of clients, including private clients and families, foundations and charities. Managing discretionary, multi-asset class portfolios is our core area of expertise, and we have one core investment strategy: wealth preservation in real terms. We focus our time and energy on doing this well.

We look after £12bn of assets, and client portfolios range from £1m to more than £100m. More than 90% of our clients' portfolios are managed on a discretionary basis, with an 'inflation plus' return objective.

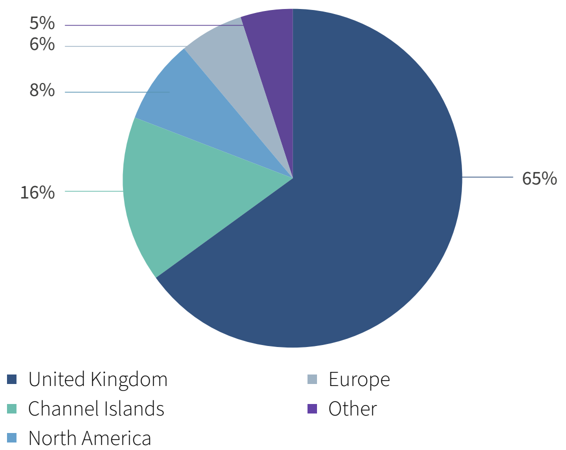
AUM (%) by client type



Discretionary AUM (%) by size of portfolio



AUM (%) by client residency



Investing for generations

As a family-owned business, we have been investing for generations for over 200 years. 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 as we do our own. Through our investments, we aspire to preserve the wealth of future generations, as well as the environment and society they will inherit.

This approach not only mitigates risk, it also enhances the prospects for long-term returns for our clients, as our investment performance record testifies. Our approach has enabled us to deliver very strong risk-adjusted investment performance for our clients through different market cycles. We explore our approach in more detail in Principle 4 & 7.

Our beliefs

The following beliefs underpin our investment philosophy and determine the way we invest our clients' capital.

Inflation erodes wealth

Our objective is to preserve and grow the real value of our clients' wealth by delivering inflation-beating returns and avoiding large losses. We invest directly and through funds to grow our clients' capital and minimise the risk of permanent capital loss, as well as seeking out assets that provide protection in periods of market stress. We build sensibly diversified portfolios by balancing 'return assets' with 'diversifying assets'.

Long-term ownership creates value

We seek investments that can deliver attractive returns for 10+ years, rather than focusing on short-term performance or trends. As long-term owners of the assets in which we invest, we want to build partnerships and engage on issues that could impact intrinsic value over time.

Focus is a key strength

We have one core investment approach, which means we can focus on doing a few things really well. We build our portfolios from the bottom up and conduct our own thorough research, providing a solid foundation for acting with conviction. We are benchmark agnostic and unconstrained, with the freedom to seek the best opportunities, regardless of asset class, sector or geography.

Sustainability is a fundamental investment issue

Sustainability analysis is explicitly integrated into all our investment decisions. As long-term investors, we want to own high-quality businesses that have strong business models and sustainable business practices. Sustainability factors are ultimately economic issues that need to be addressed by companies, and we actively engage on all matters that can impact the underlying value of our investments.

Stewardship in the face of COVID-19

The COVID-19 crisis meant that 2020 was a year like no other, significantly testing our resilience as a firm. Nevertheless, we believe the past year served as an endorsement of both our culture – with its long-term commitment to client focus and doing business responsibly – and our investment approach. The pandemic highlighted the importance of active and considered stewardship, as people and businesses across the globe had to rapidly adjust to the exceptional challenges created by COVID-19.

The unprecedented nature of the pandemic also made 2020 a remarkable year for financial markets, with large declines in equities in the first half of the year, followed by a significant rebound in the second half.

Our investment approach served our clients well, as our 2020 risk-adjusted performance demonstrated. We were able to act in the best interests of our clients in the contrasting market conditions of the first and second halves of the year. In the equity market decline in the first six months, we added meaningfully to our equity market exposure for the following reasons:

- We were prepared for market declines irrespective of cause or timing.
- We had ‘portfolio protection’ in place that limited the overall impact of equity market declines on client portfolios.
- Our deep understanding of our portfolio companies and funds enabled us to quickly assess their ability to navigate a protracted downturn.
- Our research indicated that our investee companies were handling the pandemic well in relation to their employees, their customers, or the communities they operate in.
- Operationally, we were able to implement portfolio management decisions across all client portfolios despite the very challenging market conditions.

In the second half of the year, equity markets rebounded strongly. As a result of this strong performance, equity risk exposure in our portfolios increased to the point that it made sense to start reducing positions. As such we locked in some attractive gains for our clients.

However, we measure our success not just by performance but also by the longevity and depth of our client relationships. We communicate proactively and on an ongoing basis with our clients and had prepared them well for the actions they could expect us to take in the market conditions experienced last year. This resulted in very few of our clients being unduly unnerved by the market reaction to the pandemic and liquidating their portfolios. In fact, we continued to gain new clients during the period and many existing clients also added additional funds to their portfolios.

Performance record of Rothschild & Co Wealth Management UK

We have consistently delivered strong investment performance for our clients. The charts below show that our performance is in the top quartile of our peer group, as measured by the ARC PCI indices.

Rothschild & Co Performance in ARC Private Client Indices – Sterling

	Cautious			Balanced				Steady Growth			
	1 Year	3 Year	5 Year	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
1st Quartile	■	■	■	■	■	■	■	■	■	■	■
2nd Quartile											
3rd Quartile											
4th Quartile											

Performance Characteristics (£ terms, cumulative returns, as at 31st December 2020)

	Sterling Cautious			Sterling Balanced				Sterling Steady Growth			
	1 Year	3 Year	5 Year	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
25th Quartile	5.3%	9.9%	22.7%	6.6%	13.5%	32.9%	67.0%	7.0%	15.3%	41.3%	85.8%
50th Quartile	3.3%	7.8%	20.1%	3.9%	10.8%	29.2%	–	4.5%	13.0%	38.6%	–
75th Quartile	1.9%	6.3%	17.9%	1.7%	8.1%	26.2%	51.5%	2.6%	10.2%	33.6%	65.1%
Rothschild & Co	**7.0%**	**15.4%**	**32.2%**	**10.9%**	**22.5%**	**44.7%**	**81.9%**	**11.8%**	**27.4%**	**52.0%**	**95.2%**

Source: Rothschild & Co, Asset Risk Consultants.

Notes

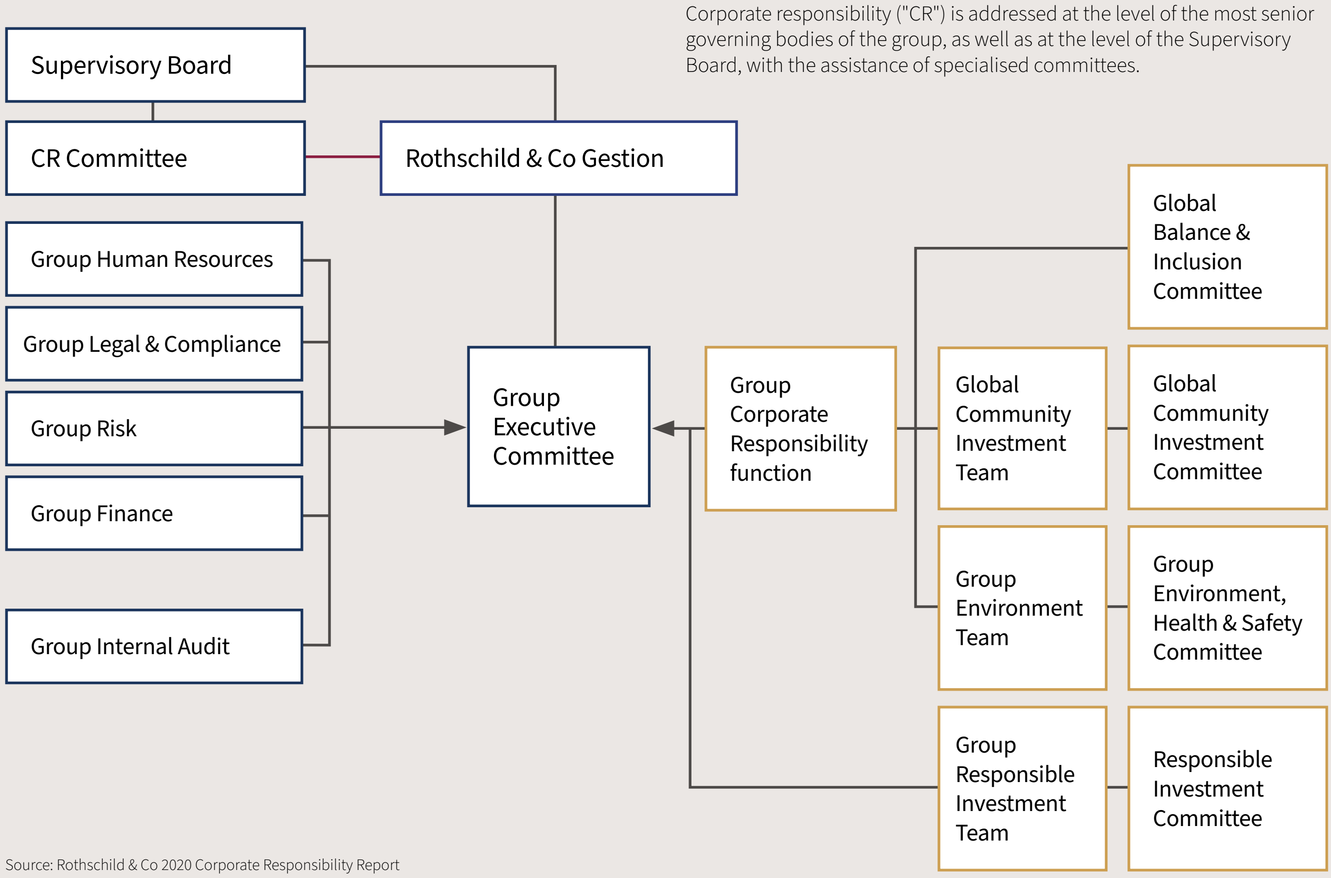
1. Past performance is not a reliable indicator of future performance and the value of investments and the income from them can fall as well as rise.
2. Data represents total cumulative returns and covers the period to 31st December 2020.
3. ARC Private Client Indices are computed using a complex calculation and the results are provided for information purposes only and are not necessarily an indicator of suitability for your specific investment or other requirements. ARC does not guarantee the performance of any investment or portfolio or the return of an investor’s capital or any specific rate of return. ARC accepts no liability for any investment decision made on the basis of the information contained in this report.
4. The ARC Sterling Private Client Indices are derived from actual portfolios managed by a number of private client investment managers.

Principle 2

Signatories' governance, resources and incentives support stewardship.

Corporate Responsibility Governance at Rothschild & Co

Corporate responsibility ("CR") is addressed at the level of the most senior governing bodies of the group, as well as at the level of the Supervisory Board, with the assistance of specialised committees.



Source: Rothschild & Co 2020 Corporate Responsibility Report

The Supervisory Board carries out the ongoing supervision of the company's management. In this context, it considers CR issues at the initiation of senior management unless the Supervisory Board itself identifies an opportunity to discuss. A dedicated Corporate Responsibility Committee (the "CR Committee") composed of three members of the Supervisory Board has the mission to:

- Assist the Supervisory Board in ensuring we consider issues relating to CR in line with strategic priorities for the business.
- Assist the Supervisory Board in ensuring that we are able to best identify and address any associated opportunities and risks.
- Assist the Supervisory Board in monitoring and reviewing:
  - (i) the strategic priorities, policies implemented and objectives set by the group and its entities relating to CR matters; and
  - (ii) the Corporate Responsibility Report included in the Rothschild & Co Management Report.

The Group Executive Committee's ("GEC") role is to propose strategic direction to Rothschild & Co Gestion, the Managing Partner, including in relation to CR. The GEC also assists the Managing Partner in overseeing the implementation of the strategy across the group, as well as the operational management of the group. One member of the GEC is responsible for CR strategy and presents this to the Supervisory Board at least once a year. CR matters are also discussed in the regular meetings of the GEC anytime as required.

The group CR 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. The Group Head of CR 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 CR is a member of, and works closely with, the respective dedicated senior group committees.

The dedicated Group Responsible Investment team supports the work of the Group Responsible Investment Committee (GRIC) to further the investing businesses' roadmap in integrating ESG considerations in their approaches, supporting the development of consistent policies among the group and assisting business lines in their ESG integration developments. The Group Head of Responsible Investment reports directly to the Co-Chairman of the GEC. The GRIC meets once a month, and representatives of Rothschild & Co Wealth Management UK are part of the committee.

This integrative setup enables the dedicated implementation of our CR strategy at all businesses and levels.

Governance at Rothschild & Co Wealth Management UK

As previously mentioned, we focus on investing for generations, both as a firm and for our clients. Investing responsibly underpins everything we do and is fully integrated into our investment processes across equities, fixed income and fund selection (discussed in detail in Principle 7.).

Responsibility for stewardship rests with the Co-Heads of Investment, who set the investment strategy and direct the investment team's activities. Investment decisions are made by the four Co-Heads of Investment and implemented by the specialist portfolio management team across all discretionary portfolio models. There is an official Investment Committee meeting every week, although decisions can be taken at any point in time.

The Co-Heads of Investment have almost 100 years' combined investment experience and have worked together for the last 16 years. They ensure that sustainability factors are embedded in our research, from the idea generation stage through to the ongoing monitoring of existing investments. The Co-Heads of Investment also drive the evolution of our responsible investment processes, set the agenda for engagements and start new initiatives. They report directly to Helen Watson, the CEO of Rothschild & Co Wealth Management UK.

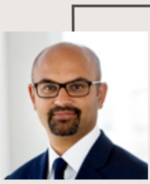
The wider investment team is made up of 21 experienced individuals. Each member plays an important role in considering stewardship in their research and analysis and integrating this into the investment process.

We believe in embedding sustainability factors directly into the investment process rather than treating them as an add-on. To support the efforts of our Research Analysts and Portfolio Managers, we have dedicated responsible investment specialists who inject expertise and data insights into the process. This includes highlighting material sustainability factors, collecting and interpreting key performance indicators of companies and highlighting areas for engagement. The purpose of this work has three key elements:

- **Risk management:** businesses that manage sustainability factors poorly are likely to impair intrinsic value over a long-term horizon. There are numerous well-publicised examples of this, such as Volkswagen's "Dieselgate" scandal and BP's Macondo Prospect oil spill.
- **Opportunity:** identify businesses that provide solutions to 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.
- **Active ownership:** 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'.

Helen Watson (31)[1]
Chief Executive Officer

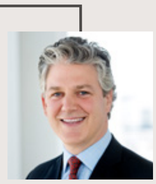
Co-Heads of Investment



Rupen Patel (25)
Managing Director

Michel Van Der Spek (20)
Managing Director

Mark Wallace (22)
Managing Director



Hugo Capel Cure (27)
Managing Director

Portfolio Implementation
1 Assistant Director
2 Analysts

Equity Research
1 Managing Director
2 Directors
2 Assistant Directors
2 Associates

Fixed Income
1 Director
1 new hire planned

Fund Selection
1 Director
1 Assistant Director

Responsible Investment Specialists
1 Assistant Director
1 new hire planned

Global Strategy
1 Managing Director
1 Director
1 Associate

Notes: 1: Number in brackets denotes the number of years of industry experience

The availability of ESG data and the complexity of gathering that data is increasing every year. We complement our own proprietary research with the services of a third-party data specialist, MSCI ESG Research (MSCI).

MSCI's ESG research does not replace our own thorough due diligence, but their data can provide additional insights into the companies we own, both directly and through our managers. As our RI specialists are part of the wider investment team, there is constant communication between the various research analysts ensuring that ESG analysis is firmly embedded in the investment process.

Looking ahead, given the ever-increasing amount of data available, we are considering how to better incorporate this information with our internal processes and client reporting. This includes hiring a dedicated ESG data specialist.

We also established a Sustainability Forum in 2019 (more detail given in Principle 5), which comprises a group of 'ESG champions' with the responsibility of ensuring our stewardship activities are coordinated across Rothschild & Co Wealth Management UK and between the investment and client-facing teams in particular. This working group consists of two members from the investment team and two members from the client team.

The members of the Sustainability Forum meet every two weeks to discuss a range of topics, including:

- Investment activities
- Research pipeline
- Responsible investment processes
- Reviewing and updating policies related to stewardship
- Industry initiatives
- Internal and external communication
- Client and staff education
- Engagements
- Non-standard proxy votes

Sustainability Forum

Michel Van Der Spek
Co-Head of Investments
Managing Director

Tracy Collins
Client Adviser
Director

Dan Drain
RI Specialist
Assistant Director

Poppy Mather
Client Adviser
Associate

Helping steer Admiral's ship

Under Principle 1, we highlighted our effective decision-making process during the COVID-19 crisis and how this led to positive outcomes for our clients. This is a direct function of the integrated approach we take as an investment team as described under Principle 2.

Another example of our effective governance structure is the way we can interact directly with companies and third-party fund managers. Given the varied nature and extent of the pandemic's impact on portfolio holdings, our approach of having each analyst responsible for practicing good stewardship served us well, as it facilitated effective engagement and decision-making. Our engagement with Admiral during this period is a good example.

During the first wave of the crisis, we saw that US auto insurer GEICO had decided to refund customers 15% of their premiums. The reasoning was simple: fewer people were driving their cars, meaning fewer accidents and fewer claims. GEICO's costs dropped considerably, and the company decided it was only fair to reimburse loyal customers during a difficult time.

Our clients already own GEICO indirectly through their holding in Berkshire Hathaway, and we were impressed with the company's principled and forward-thinking approach. We are long-term investors in UK motor insurer Admiral and felt they should consider taking a similar stance. We liaised closely with Admiral's CFO and encouraged the company to implement the idea, prioritising their customers and brand affinity over short-term profits.

We were asked to provide further input and feedback once they actioned the reimbursements. Our close involvement throughout the process is a reflection of the value and trust between us and the companies we are long-term active shareholders in.

While refunding premiums was likely to impact short-term profits, we were confident it was still the right choice for the business. In April 2020, Admiral became the first UK car insurer to refund customers, which encouraged other firms to quickly follow suit. We see this as a positive outcome that was possible because of the long-term perspective of Admiral's management, but also partly the strength of the relationship we have. We also see this as a good example to show that engagement does not always have to fix something, but can sometimes be used to make a good company even better.

Additionally, the coordination between our investment and client adviser teams ensured that relevant details were shared with clients and beneficiaries in a timely manner. This is something we discuss in more detail in Principle 6.

Diversity and inclusion

Diversity and inclusion is a key strategic priority for Rothschild & Co. We are committed to providing a fully inclusive and supportive environment where diversity and different perspectives are a key strategic priority across the Rothschild & Co group. The group's policies are designed to provide equal opportunities for everyone. This is key to enabling employees to achieve their personal and professional aspirations, while providing long-term opportunities for growth.

We pride ourselves on offering our clients a distinct perspective. To do this, we need a diverse team that reflects, and can interact with, our clients in various settings around the world.

Our Global Balance & Inclusion Committee is responsible for accelerating and maintaining the momentum of the group's diversity and inclusion strategy. A number of programmes and initiatives have been implemented, including training for all staff. An example of this is our commitment to promoting gender balance, as we outline below .

The financial services industry suffers from the legacy of being traditionally male dominated. Rothschild & Co is no exception. While we acknowledge it will take time to correct this imbalance, we are committed to promoting better balance at all levels of the group, and specifically to increasing the representation of women in senior positions.

Our approach to attracting and recruiting talent has evolved over recent years. Alongside initiatives like our apprenticeship programme, we are making tangible changes at a firmwide level to processes and training that are designed to lead to sustained change. Like many companies in our industry, we have been on a diversity and inclusion journey that continues today. We have established global and regional committees of engaged individuals, held numerous events, introduced new initiatives and training programmes, and brought in external specialists to advise us along the way.

Choosing a private wealth manager is often an emotional decision for clients, so there is a real business case for ensuring our people are as diverse as our clients – perhaps even more so. We firmly believe that our business needs diversity to adapt, change and grow, as well as make good decisions. We can't do this if our people all come from similar backgrounds or think the same way.

For a number of years, Rothschild & Co Wealth Management UK has implemented specific initiatives that have allowed us to attract and recruit high-performing, diverse talent at a junior level. Two examples of this are our Summer Internship Programme and our Apprenticeship Programme.

The Rothschild & Co Group are signatories to the Women in Finance Charter, with the target of women representing at least 30% of the Assistant Director and above population by 2024. In Wealth Management, that figure is currently at 35%. We remain committed to publicly reporting on our progress in this area. Meanwhile, our Global Female Sponsorship Programme aims to support the retention and progression of women into senior roles. All our female employees also undertake our Shine for Women training programme, which is aimed at maximising potential and impact.

Summer Internship Programme

Since starting the programme in 2012

43%
converted into full-time hires

44%
internship to full-time hires female

78%
from non-Oxbridge universities

Partnered with #10000BlackInterns with first intern joining the programme in 2021

#10000 BLACK INTERNS

Apprenticeship Programme

Since starting the programme in 2012

13
apprentices since 2014

69%
female

46%
female + BAME

62%
BAME

Source: Rothschild & Co Wealth Management

Remuneration

Our remuneration and incentive programme within Rothschild & Co Wealth Management UK is fair, competitive and ensures that our interests are aligned with our clients.

All employees receive a base salary plus discretionary bonus, which reflects the individual's performance combined with the performance of their division and the group overall. The remuneration of more senior employees includes a significant proportion of deferred compensation, which fosters a long-term approach.

Portfolio Managers and members of the investment team are assessed on investment performance (over multiple time periods), ESG integration and their contribution to the process. Client advisers are assessed on client retention and satisfaction. Neither Portfolio Managers nor Client Advisers have short-term targets and remuneration is not linked to the advice we give. There are no commissions or bonuses for selling certain 'products', which we believe creates conflict of interests.

All employees are assessed on teamwork, collaboration, mentoring, maintaining a culture of support and kindness, and fostering diversity and inclusion.

All employees are also encouraged to invest in the strategies we manage for our clients. All Directors and above in Rothschild & Co Wealth Management UK, including the Portfolio Managers and Client Advisers, are co-invested and are therefore closely aligned with our clients.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

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.

In 2020, there were no actual or potential conflicts of interest in relation to our stewardship or engagement activities. However, examples of potential conflicts of interest and how we mitigate or manage them are listed below.

Potential conflict	Mitigation and/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 is 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 (as shown under Principle 1), 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.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Our investment philosophy is built on preserving the real wealth of our clients for generations. Given our long-term approach - as discussed in Principle 1 we evaluate investment opportunities on a 10+ years basis - assessment of systemic risks is therefore integral to our process.

We build our portfolios with two distinct parts: return assets and diversifying assets.

The return assets are investments that seek to grow capital; we expect them to generate inflation-beating returns over time. They include equities and investments with equity-like characteristics that we expect to move broadly in line with equity markets. This approach seeks to mitigate the systemic risk of wealth erosion through inflation. We look to invest in companies with resilient business models that are able to weather other macro-economic risks, such as changes in interest rates, currency fluctuations and political tensions.

The purpose of the diversifying assets is to protect our clients' capital against systemic risks, such as market dislocations driven by recessions or events that cannot be foreseen, with the COVID-19 crisis being the most recent example. We aim to limit the impact of drawdowns in equity markets and smooth out some of the inevitable highs and lows of being invested in equity markets. We do not pretend that we can predict what the next crisis will be or when it will happen. Because of this, we look to 'diversify our diversifiers' by identifying a variety of diversifying strategies that will behave in different ways to sharp market downturns or slow protracted downturns.

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 that 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)

The appropriate split between return and diversifying assets is determined by clients' individual return objectives and tolerance for risk.

This approach served our clients well in the first half of 2020 when markets sold off sharply in response to the pandemic . The return assets in the portfolio suffered as the wider market declined in value. However, our diversifying assets provided a strong buffer and the protection in the portfolio dampened the impact of the market shock. We were able to monetise some of that protection and reinvest into high-quality return assets that were trading on attractive valuations. As the market recovered in the second half of the year, we were able to harvest the returns from the seeds planted in the middle of the downturn.

Focus on climate change as a systemic risk

Our bottom-up investment approach means we focus on the issues that are material for each investment. These issues vary across different industries and asset classes. However, there are issues that transcend these boundaries, with the capacity to change the investment landscape for all companies in profound ways. Climate change is a prime example.

Climate change poses significant physical and transitional risks, but it also creates opportunities for companies that are providing solutions to mitigate climate change or that enable themselves or others to adapt to its effects. These trends are being expedited by changes in government policies around the world, new regulations and shifting consumer attitudes.

We have considered the potential impact of climate change on our portfolio holdings for some time. This analysis is factored into our long-term value assessment of individual investments. As an active investor, we have supported resolutions at company meetings that encourage companies to develop their reporting because this is aligned with our clients' long-term interests.

In 2020, the proportion of our portfolios on which we conducted carbon footprint analysis increased due to better data disclosure and investment in new tools provided by our ESG research provider MSCI. We will continue to make further progress on this in 2021.

In addition to considering climate risks across all our investments, we also manage an investment strategy that seeks to invest in assets that enable the goals of the Paris Agreement, and which support the transition to a low carbon economy. A minimum of 30% of the portfolio is invested in these "enabling" assets, with this allocation increasing 5% every year. In 2020, this strategy saw significant growth in assets under management and showed strong performance.

Going forward, we have set a clear agenda of our expectations from companies on climate-related disclosure. Companies must:

1. Report emissions and climate risks
2. Have a clear and credible plan to get to net zero
3. Monitor and set milestones

These three points will be standing items in our discussions with company management and will inform our decision-making on climate-related proxy voting. In 2021, we will be joining various industry initiatives to drive this agenda and seek opportunities for collaboration with other investors.

Climate-related risks and opportunities continue to be key considerations for Rothschild & Co Wealth Management UK, as well as the wider Rothschild & Co Group. Across the group's businesses, we are considering policies aimed at the assessment and management of climate-related risks and opportunities across investment activities. The Task Force on Climate-Related Financial Disclosures (TCFD) provides structured recommendations around disclosure across four key areas:

1. Governance and strategy
2. Risk management
3. Metrics
4. Targets

Rothschild & Co's TCFD project team has been tasked with tracking and supporting the integration of the Task Force's recommendations across business line activities.

The response to COVID-19

COVID-19 has been described by some investors as the first sustainability crisis of the 21st century. It is hard to disagree; society's impact on the environment is directly linked to the spread of new infectious diseases. But the pandemic is fundamentally a humanitarian crisis, and one of the key trends to emerge in the last year has been a renewed focus on the 'S' in ESG.

Historically, the 'social' pillar has arguably taken a backseat to environmental issues as sustainability awareness has grown, but COVID-19 exposed many persisting social and economic inequalities in communities across the world. This pushed a number of material social issues to the top of boardroom agendas, and businesses rightly came under the spotlight for how they treated their staff, customers, suppliers and other stakeholders during the crisis.

We are pleased to report that the companies we invest in demonstrated many of the behaviours and practices we would expect from well-managed, responsible businesses that take a long-term view. Not only did they act quickly to ensure the health and safety of their employees, customers and clients, but many also provided key goods and services that were integral to supporting businesses, homes and communities throughout the crisis. Moreover, the vast majority of our companies and funds continued to make notable progress on ESG-related issues during this period, despite external market pressures.

Case study: American Express and its response to COVID-19

A well-functioning financial system is fundamental to a modern economy. Banks and other financial services firms provide essential services to society, not only supporting the economy in the midst of a downturn but also shaping the eventual recovery.

COVID-19 was no exception, and American Express introduced a number of measures to support staff, customers and communities during the pandemic, while also looking to address historic inequalities and other pressing social issues.

For customers

- Launched a Customer Pandemic Relief Programme to offer short-term support for those affected by COVID-19.
- Expanded a longer-term Financial Relief Programme to customers in 20 countries.
- Raised transaction levels on contactless payments to minimise physical contact between merchants and their customers.

For employees

- Significantly increased the number of women in management, board and executive committee positions.
- Created an Office of Enterprise Inclusion, Diversity and Business Engagement, which reports directly to CEO Stephen Squeri.
- Committed to greater transparency regarding diversity progress, including enhanced disclosures on representation within the workforce.

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Part of our DNA is to always question how we can improve, and our approach to stewardship is no different. The investment industry is moving quickly; expectations are evolving, and we understand the importance of ensuring that our processes and practices remain relevant.

We established a Sustainability Forum (discussed in Principle 2) to enable us to adapt to this changing landscape. It has input from both senior members of the investment team and senior Client Advisers, providing a balance of views from across these key areas of the business.

The Sustainability Forum members review policies and processes at least annually to ensure that we remain effective and are continuously raising the bar. Any changes to these policies are ultimately approved by our Head of Front Office and our CEO. The forum members are also responsible for compiling our annual UN PRI report - as well as any other stewardship reporting - and ensuring that this reporting is fair, balanced and accessible.

Many of the changes we made to our policies and processes in the course of 2020 were the result of a strategic review we carried out in the prior year. In 2019, Rothschild & Co Wealth Management UK engaged an independent responsible investment consultant to assist us in conducting a strategic review of our approach to responsible investment and stewardship.

The purpose of the review was to assess where we were; to understand what we did well and identify areas we could improve. Part of this review was also to challenge ourselves on what best practice looks like, to set our own bar higher and explore how we could incorporate these concepts into our investment process. This review was co-ordinated by the Sustainability Forum and involved all Rothschild & Co Wealth Management UK employees.

The ultimate direction and revisions to our policy and processes were determined by the investment team with material input from senior members of the client-facing teams. These activities were overseen by our Head of Investments and CEO. The results of this strategic review were published in our updated Responsible Investment Policy in early 2020 and implemented throughout the course of the year.

Our updated Responsible Investment Policy

- Clear articulation of what responsible investing means for Rothschild & Co Wealth Management UK.
- More detailed description of the ESG integration process for equities, fixed income and funds.
- Newly defined 'red lines' – areas of the market we will not invest in due to ESG criteria.
- Examples of amber zones – industries we can invest in but require more scrutiny.
- Governance – defining what best in class looks like.
- Social – setting out our key areas of focus.
- Environment – articulating what we expect from companies.
- Proxy voting – our framework for voting.
- Engagement – our framework for engaging with companies.

We aim to report our engagement and stewardship activities to our clients in a fair, balanced and easily digestible way. This is in line with our general approach to client reporting, which we design to be 'user friendly', free of jargon and relevant to our clients. We are transparent and honest 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 engagement and stewardship. Ensuring clients understand how their assets are invested and how we invest on their behalf is always our key consideration, and we regularly challenge ourselves on the clarity and accessibility of our client reporting.

All clients received a copy of our Responsible Investment Policy in 2020; new clients receive a copy as part of their 'welcome pack'- and all clients also receive our annual ESG Report. During 2020, we engaged with clients and sought their feedback on the improvements they would like to see in our reporting on responsible investment and stewardship.

In line with industry developments, there is greater demand from our clients for reporting on ESG metrics at a portfolio level, including information on carbon analysis and environmental impact. Some clients have told us they would like more regular (i.e. quarterly rather than annual) reporting on engagement and stewardship activities. We have taken this feedback on board and plan to incorporate these improvements into our client reporting in 2021.

Looking ahead

The industry is constantly evolving and what is considered best practice in terms of stewardship is constantly advancing in tandem with this. For Rothschild & Co Wealth Management UK, the coming years will be about building on the progress we have made to date.

In terms of tangible objectives, our goals include:

- **Further strengthening our engagement efforts:** this includes collaboration with other investment managers. We aim to push companies and managers for better climate risk and sustainability disclosure, while encouraging companies to adopt the TCFD recommendations.
- **Joining industry initiatives:** these should align with our investment philosophy and our clients' objectives.
- **Better data:** requiring more and better data from our companies, so that we can compile appropriate and actionable portfolio analytics and metrics to help us and our clients understand their portfolios' impact (intentional and otherwise) and the direction of travel.
- **Better client communication:** improving how we report and communicate our responsible investment activities.

Assurance

Given our single investment approach, the concentrated nature of our portfolios and our size, we have not sought external assurance on our stewardship policies and processes. We believe our internal review processes are sufficiently robust, but recognise they could be further strengthened by engaging our Risk and Business Management functions to independently review our processes and implementation. We have started preparing for this and expect to be able to report our progress in 2021.

As a signatory to the UN PRI, we participate in their annual stewardship survey. In our latest PRI Assessment, we improved across almost every category we were assessed on and were awarded (A) for strategy and governance, (A) for direct equity incorporation, and the highest rating (A+) for equity fund selection, appointment and monitoring.

Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investments to them.

Communication with our clients is key. As highlighted in Principles 1 & 2, we take a long-term view when investing and have a distinct approach to managing portfolios. We therefore spend a lot of time getting to know our clients, understanding their priorities and motivations, and ensuring they fully understand our investment philosophy and approach.

A detailed investment mandate is agreed with each client at the outset of the relationship. This considers the client's individual risk profile, time horizon and return objectives, as well as any specific investment restrictions they may have, which are subsequently hard coded into our portfolio management systems. These metrics are all reviewed on an ongoing basis through regular review meetings, and formally through updated investment suitability reviews, to ensure they remain current.

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. We firmly believe that continuity and longevity is key in providing the highest level of client service possible. To that effect, we have high staff retention figures and reliably score in top quartiles in client surveys. Over the years, we have also 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 (with an average of 19 years' experience) 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. Communication is extremely important, particularly in difficult markets. Our existing clients have told us they value our proactive communication, and we believe it is important to keep clients regularly updated, particularly when there are significant market moves or portfolio changes. Regular communication also ensures that we are up to date with any changes in our clients' circumstances and requirements, which may impact how we manage their portfolios.

We provide clients with clear and detailed audited investment statements on a quarterly basis; unaudited statements can be provided more frequently. We conduct regular portfolio reviews with our clients, the frequency of which is determined by the client but are typically quarterly or bi-annually.

Portfolio reviews are bespoke in nature and tailored to clients' specific requirements but will always include a comprehensive breakdown of the portfolio, as well as a detailed performance breakdown. This informs clients about what is driving performance and which portfolio constituents are performing well or poorly.

We also provide quarterly performance and market outlook updates in the form of Quarterly Podcasts and Quarterly Letters. In addition to the regular quarterly investment reporting, we also report annually on our engagement and voting activities in our annual ESG Report to ensure that our clients are informed about our approach to the stewardship of their assets.

Throughout the year, we regularly host investment seminars and conferences, which give clients access to more members of the investment team. Furthermore, our 'Meet the Manager' seminars give clients the opportunity to hear from some of the third-party managers of the specialist funds held in their portfolios.

While our client base covers a large and diverse group of clients, we have certain clients for whom responsible investment and sustainability are key considerations. These clients' expectations are very developed and well-articulated. We actively seek feedback from them.

Examples of this include soliciting client feedback on the format and content of our annual ESG Report. We also sought feedback and suggestions on the positive ESG outcomes we proposed incorporating into the sustainable strategy we launched in 2018. As mentioned in Principle 5, we solicited feedback from clients last year on our stewardship and engagement reporting. These insights will be included in regular client reviews going forward.

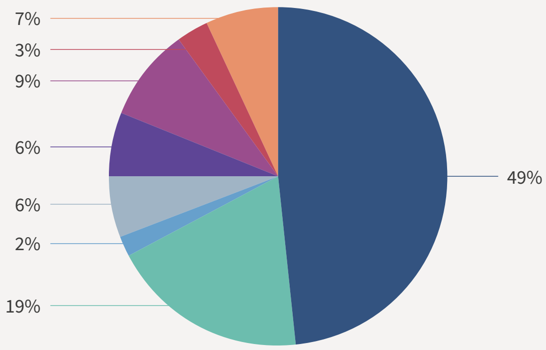
Our proactive approach to client service did not change as a result of COVID-19. In fact, we made a conscious effort to communicate even more frequently with clients during this period to ensure each one felt as informed as possible and to the level they wished. Some clients asked for further communication and more frequent performance updates, whereas others wanted less, and we accommodated these requests accordingly.

We maintained regular reviews with clients and their advisers by hosting video calls in lieu of our usual face-to-face meetings. During 2020, our programme of investment-oriented events and meetings also continued despite COVID-19, although were delivered virtually.

Client feedback has been extremely positive and going forward we will likely continue to host some of these broader client investment sessions virtually. We have also been able to reach a wider audience with our virtual investment webinars.

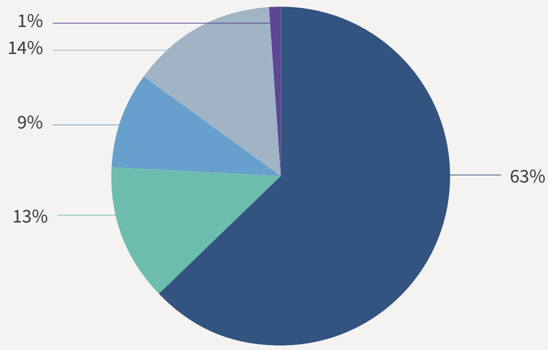
Portfolio Breakdown

Approximate allocations at the end of 2020 were:



- Return: Companies
- Return: Funds
- Diversifying: Portfolio Protection
- Diversifying: Alternative Strategies
- Diversifying: Fixed Income - Inflation Linked
- Diversifying: Fixed Income - Fixed Rate
- Diversifying: Fixed Income - Floating Rate
- Diversifying: Cash

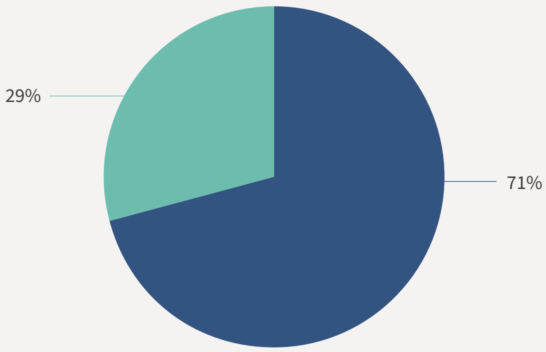
Geographic breakdown of Return Assets



- North America
- United Kingdom
- Europe ex UK
- Asia / Emerging Markets
- Other

Direct investments vs. third-party managers

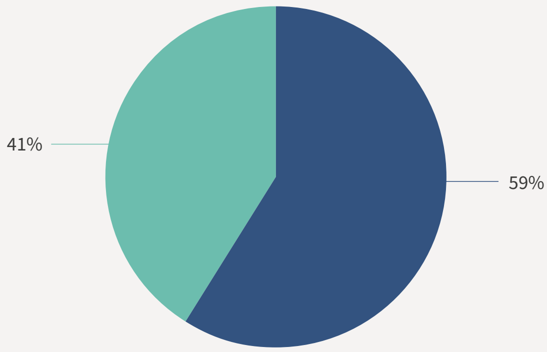
Return assets



- Direct investments
- Assets managed by third-party managers

Direct investments vs. third-party managers

Diversifying assets



- Direct investments
- Assets managed by third-party managers

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. Percentages may not add up to 100% due to rounding.

Listening to our clients

We conduct a bi-annual qualitative survey to better understand our clients' satisfaction with our service and offering. Importantly, these surveys provide clients with an opportunity to share ideas on how they believe we can improve. Conducted by external market research agency, Savanta, the survey involves verbal interviews with a statistically relevant number of randomly selected clients. We have conducted surveys in 2015, 2017 and 2019, and the next survey will take place in November 2021.

Overall, the results are consistently positive, and demonstrate exceptionally high levels of satisfaction, particularly in comparison to our competitors. In 2019, 94% of clients were satisfied with Rothschild & Co Wealth Management UK , having increased from 82% in 2017. These figures compare favourably with the industry average of 77%. Moreover, 95% of clients were satisfied with their primary client adviser, compared with an industry average of 82%. Our Net Promoter Score (NPS)[2] is 79, an increase from 57 in 2017, and notably higher than the industry average of 37.

The last survey highlighted several key drivers for high satisfaction levels:

1. Our focus on wealth preservation, as well as our sensible and cautious approach, which fits with clients' expectations.
2. The personal and proactive service we deliver. The calibre of our teams and the longevity of our relationships make a real difference to clients.
3. The quality of our communications.
4. The reputation of Rothschild & Co sets us apart from other wealth managers.

We are proud of our results but believe there is always room for improvement. Our surveys provide useful feedback and suggestions on how we can improve. As a result of the feedback we have received, we established a number of new initiatives, including:

- **Improving our online reporting:** we continue to improve and upgrade online functionality for clients. Balancing security, quantum of information and ease of use is a complex task, and this is a multi-year project.
- **Broadening clients' dedicated teams:** an increasing number of our clients want to include their children in their family's finances, which can sometimes mean involving Rothschild & Co Wealth Management UK's own 'next generation'. We have always sought to match our client facing teams with our clients but have also now established a process to review this annually.

[2] A Net Promoter Score is a market research metric that indicates how likely survey respondents are to recommend a company, product or service to someone they know.

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

At Rothschild & Co Wealth Management UK, investing responsibly is not a box-ticking exercise or a matter of adhering to a list of rigid criteria. It involves considering all the issues that affect a company's financial performance over the long term, including relevant sustainability factors. A one-size-fits-all approach that uses ESG screens and checklists is, in our view, too simplistic because not all sustainability factors are relevant to all investments.

We believe our rigorous fundamental research gives us an in-depth understanding of the assets in which we invest, which enables us to make investments for the long term. Our research includes meetings with companies and other stakeholders. By delving deeper, we can often reach more nuanced conclusions about stewardship issues.

For example, we have identified a business that despite being a large emitter of CO2, is also critical to reducing total emissions across its value chain. Meanwhile, other companies that initially appear to be sustainable sometimes do not stand up to more detailed scrutiny.

Our framework for integrating sustainability factors into our investment research applies to all investments for which it is relevant. Excluded from this are money market instruments, cash held on account, developed market sovereign bonds and derivatives.

Overarching principles for stewardship and responsible investment

There are a number of overarching principles we think all companies should adhere to and certain activities that we believe are indisputably harmful to the environment or society.

The broader Rothschild & Co Group has agreed on a common investment exclusion policy framework in accordance with its 2022 Strategic Objectives for Responsible Investment, 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. They are compliant with the applicable regulations, aligned with our approach to ESG criteria integration among our investment strategies, and part of the businesses' response to manage ESG-inherent risks for our investors. These policies are available on our website here.

At Rothschild & Co Wealth Management UK, we also expect the companies we invest in to respect the UN Global Compact principles on human rights, the environment, corruption and labour practices. We will never knowingly invest in companies that breach these principles and would sell our shares if we discovered a company was doing so.

Additionally, we will avoid investing in companies whose primary activities involve the following industries. These are our 'red lines' because there is clear evidence they contribute to social and environmental harm.

- **Armaments:** the aerospace and defence industry encompasses a broad range of activities. Our exclusion is specific to controversial weaponry due to the potential for harm, as well as any activity in breach of the Oslo Convention and Ottawa Treaty.
- **Gambling:** there are numerous poor social outcomes linked to gambling addiction, including drug and alcohol abuse. There is also evidence suggesting that the social effect of gambling is worse for those from economically disadvantaged backgrounds.
- **Pornography:** there is strong evidence linking pornography to social exploitation, particularly of vulnerable women.
- **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.

Outside of these red lines, there are sectors and businesses that face challenges from a long-term sustainability perspective, but still serve important purposes today. While we don't exclude these activities outright, they fall into what we define as 'amber zones'.

We recognise that in many instances these issues are not black and white. They require an even greater level of scrutiny and analysis for us to understand their environmental and societal impact before we invest. Our amber zones include:

- **Alcohol:** whilst most people who drink alcohol do so in moderation and the alcohol industry largely supports and promotes responsible drinking, alcohol can also be addictive and lead to social harm as a result.
- **Airlines:** the airline industry accounts for around 2% of global carbon emissions, although its share is expected to increase significantly as other industries decarbonise and aviation traffic continues to grow. We acknowledge that there is no substitute for flying when travelling long distances and recognise the social and economic benefits the aviation industry brings. When we analyse airline companies, we evaluate their commitments to the Paris 2050 goals; fleet efficiency; emissions per passenger-kilometre flown; investments in better planes and alternative fuels; and participation in carbon trading and carbon-offset schemes.
- **Basic materials:** historically, we have avoided investing in this sector because we struggle to identify differentiated business models and find it difficult to value the commodities that underpin their revenues. The environmental and social consequences of mining are also well documented. However, at the same time we recognise that the world as we know it relies on raw materials like iron ore, copper and cobalt. We acknowledge this sector also has an important role to play in providing the raw materials necessary for the transition to clean energy and meeting the Paris 2050 climate goals. Shareholders can play an equally important role by encouraging these companies to operate more sustainably by improving their social and environmental standards.
- **Fossil fuels:** we recognise that some energy companies are shifting their businesses towards renewable energy and have the knowledge and resources to invest prudently in these new areas. However, while the global economy is currently dependent on fossil fuels, certain companies may become environmentally and/or economically unsustainable.

In Principle 2, we provide an outline of how the investment team is structured and how the work is coordinated between the Co-Heads of Investment, Research Analysts and responsible investment specialists. The following section provides more detail about the actual process.

Integrating sustainability factors into equity research

In Principle 4, we talked about the type of high-quality companies we like to invest in. Identifying high-quality companies involves more than just looking at the numbers. It requires considering a range of factors alongside more traditional financial metrics. In our view, high-quality businesses have the following critical, interconnected attributes:

- They have strong business models, which means they are likely to be able to sustain and grow their profits long into the future. These companies have strong competitive advantages, such as economies of scale, network effects (a phenomenon whereby increased numbers of customers improve the value of services or goods) or compelling intellectual property, to name a few.
- They have sustainable business practices, they manage their ESG responsibilities well and are considerate of all their stakeholders - not just shareholders and senior management - including employees, customers, suppliers and communities.

We recognise that each 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.

This focus on materiality forms part of our initial evaluation and ongoing monitoring of the companies we own. More specifically, we construct a materiality map for each company, which details the most material sustainability factors that can affect the business and provides our assessment of how management is addressing them. The materiality maps provide a framework for the issues we discuss with company management and allow us to monitor progress.

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 these 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.

Sustainability Factors: the 'E', 'S' and 'G'

E – Environmental factors

When evaluating a company's environmental credentials, we assess how they contribute to and perform on environmental challenges, including pollution, greenhouse gas emissions, climate change, deforestation and plastic use. We aim to understand their current impact on the environment, as well as their potential future impact.

There is no doubt that climate-related risks and opportunities are increasingly important to investment outcomes over the long term. We believe all companies need to understand their environmental impact and be committed to reducing their footprint. Furthermore, we expect our investee companies and managers to have a clear understanding of the risks they face and to have – or be developing – a clear plan on how they will mitigate these risks. We address this topic in more detail later.

S – Social factors

Social factors relate to how a company behaves towards its workforce, its customers, its suppliers and the communities in which it operates. If managed poorly, these factors affect a company's sustainability and financial performance over the long term.

We expect the companies and managers we invest in to meet certain social standards, and we expect them to adhere to the principles set out in the UN Global Compact as a minimum.

As mentioned in Principle 4, the COVID-19 pandemic has arguably brought social concerns more to the fore, with much greater scrutiny on how companies address the urgent issues of the day. These include their response to supply chain disruption, employee welfare and health and safety, support for local communities and more. We believe that companies that take a long-term perspective and behave sustainably and fairly create 'win-win' outcomes for all stakeholders.

G – Governance

Ensuring high standards of corporate governance helps align the interests of company management teams with the interests of long-term shareholders. We believe that good corporate governance improves the quality of a business, which in turn leads to higher and more sustainable long-term returns.

More specifically, we want to make sure that the companies in which we invest consider our interests as minority shareholders fairly. When assessing the corporate governance of potential investments, we consider a number of key areas:

- Board composition: we expect boards to have a majority of fully independent directors and prefer the roles of chairman and CEO to be split. We also want to see boards that are diverse in terms of background, gender and ethnicity, while recognising that companies may meet some but not all criteria. For example, an entrepreneur founder or owner may retain a material interest in a business and a significant presence on the board. Therefore, we consider each company individually and verify whether our interests are sufficiently aligned with the decision makers.
- Company culture: we believe company culture emanates from the top. We evaluate incentive structures, management behaviour and commentary, as well as seek out external sources, which provide useful insights into a company's working culture.

Integrating sustainability factors into fixed income research

The considerations above also form the foundations of our approach when investing in bonds. However, the characteristics of the fixed income holdings in our portfolios are very different to our equity holdings, so there are key differences in terms of ESG integration and potential for engagement with issuers.

Our fixed income investments serve as a defensive component. 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 – (partial) loss of principal in case of a default or restructuring.

Therefore, it makes sense to diversify exposure in portfolios across a large number of issuers, which in turn requires a more systematic approach to ESG integration utilising data points and ratings provided by MSCI. Companies that appear weak when examined through this lens are reviewed in more depth, which may lead to some issuers being excluded from our investment universe.

Our fixed income holdings tend to be issued by developed market governments, supranational agencies and investment-grade corporates. We have also predominately held bonds with shorter maturities in recent years. These combined factors mean we have not sought engagement with the issuers, instead focusing our engagement resources on our longer-term holdings.

Integrating sustainability factors into fund selection

There is an additional challenge involved when selecting external funds compared with direct investments because we are giving discretion to another team of investors. 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.

The managers we invest in must 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 expect managers to have a formal ESG (or similar) policy. However, we are more concerned with the integrity of a manager's philosophy and approach, providing they demonstrate an ongoing commitment to investing sustainably. Encouraging them to adopt a policy is then an important part of our ongoing dialogue. We monitor the relevant sustainability factors for a fund manager across three material components – policy, process and portfolio.

Policy

We evaluate a manager's investment philosophy and whether it makes clear reference to sustainability. If there is an ESG or sustainability policy in place, we review what it entails. In addition, we analyse the engagement strategy and proxy voting policy. Lastly, we look at the manager's commitments to sustainable investing, such as membership of the PRI and other initiatives.

We expect our managers to vote on our behalf in shareholder meetings. As with investment decisions, our managers have complete discretion on how to vote, but we expect them to report back to us on important voting decisions. As a minimum standard, we expect our managers to execute proxy votes on nonstandard issues whenever they can vote. However, in some jurisdictions, this can be subject to restrictions.

Process

We assess how sustainability is implemented in the investment process and the quality of reporting. We expect our managers to report back to us at least once a year on how sustainability issues have impacted their investment decisions.

Portfolios

We monitor the underlying investment holdings on an ongoing basis. This allows us to identify potentially controversial investments. We expect our managers to adopt the same standards as we have with regard to the UN Global Compact and our red lines. With investments that fall into our amber zones, we will engage with the manager to decide whether they have addressed potential concerns sufficiently.

The bottom-up nature of our analysis means stewardship and ESG issues are considered in much the same way across our investment strategies.

2020 presented opportunities for us to demonstrate the integration of stewardship and investment, through both the ongoing monitoring of existing holdings and the selection of new investments. We present an example of each below.

Wells Fargo: Fossil fuels lending

In March 2020, Rainforest Action Network (RAN) published a headline-grabbing report about the lending practices of banks to the fossil fuel industry.

According to the research, the world's biggest institutions, including Wells Fargo, had financed more than $2.6 trillion worth of oil, gas and coal projects since the Paris Agreement was launched in 2016.

We began investing in Wells Fargo in 2013, and the figures outlined in the report did not match the outstanding loan data for the fossil fuel industry that the bank had published in its earning presentations.

Keen to clarify any discrepancies, we contacted Wells Fargo's management to clarify the reported numbers. They informed us they were confident the statistics in the report were overstated.

After contacting the authors of the RAN report directly and reviewing their data breakdown and methodology, we concluded that the numbers were indeed inflated. For example, the total sum of a syndicated loan would be allocated to each of the lead underwriters. In addition, every time a loan agreement was amended, this was counted as a new loan.

Based on these insights, it was clear to us that the numbers in the report did not provide an accurate reflection of the company's lending activities to the fossil fuel industry. This was a conclusion that we were able to reach only after deep research and active engagement.

Furthermore, Wells Fargo made considerable progress last year in its commitments to sustainable causes. The company set out an aim to finance $200 billion of renewable projects by 2030 (subsequently increased in 2021), $49 billion of which had already been confirmed. And while Wells Fargo does not yet provide a separate figure for its loans to renewable projects on the balance sheet, this is a development we are actively encouraging.

As part of our ongoing monitoring, there are other areas where we hope to continue our engagement with Wells Fargo, including:

- The company's commitment to reporting on financed emissions.
- Policy progress for lending to fracking, deep water and Arctic and thermal coal projects.
- The direction of the bank's lending book to oil and gas pipelines.

Eurofins: Initiating a new investment

We manage concentrated portfolios based on our best ideas and have a very long-term approach. New additions to our portfolios are therefore infrequent. Nevertheless in 2020 we identified Eurofins as a potential investment opportunity when we were looking for businesses managed by entrepreneurs with a significant ownership stake who had created a distinct culture.

Eurofins operates a global network of laboratories providing testing for healthcare, food and the environment. We initially met with the company's founder/CEO at an investor day and were impressed by the business and management. At this point of the idea generation stage, we produce a ‘Phase One’ recommendation to be shared with the investment team. This sets out the investment case and includes checks for red flags on sustainability factors.

In early 2020, one of our senior investment analysts progressed the idea further into the ‘Deep Dive’ phase. Eurofins sits in a business ecosystem that was unfamiliar to us, so we needed to invest time learning about the testing industry. We conducted extensive primary analysis on Eurofins and approximately 15 other companies in the sector going back several years. Our research included annual reports, transcripts from investor calls and investor day presentations.

We also identified and spoke to more than 25 industry experts, including customers, suppliers and ex-employees of Eurofins and their competitors, as well as entrepreneurs who had sold their businesses to the company. We held multiple calls with Eurofins’ investor relations department, and the CFO and the CEO to explore certain aspects of the business model and to address some governance issues. Part of our process is to always try to find disconfirming evidence to avoid any confirmation bias we may have.

Eurofins was added to our ‘Master List’ in 2020 and we invested in the fourth quarter of 2020. We created a roadmap to monitor the progress of the business and an ESG materiality map to track relevant sustainability issues. We continued to engage closely with the company, including the CEO and CFO. We were encouraged by the way Eurofins conducted itself during the COVID-19 pandemic. The company has been a vital partner in the discovery of vaccines and used its lab network to enable efficient testing of the virus at affordable prices to help the world return to normalcy.

Principle 8

Signatories monitor and hold to account managers and/or service providers.

Third-party fund managers

We have a rigorous monitoring process in place for our third-party fund managers. We described in detail how we integrate sustainability factors into our fund analysis as part of the overall process in Principle 7. This results in a heatmap for each fund, highlighting its strengths and weaknesses.

These heatmaps help us monitor progress, and they are revisited during our semi-annual fund review process. As we insist on full portfolio transparency from our third-party fund managers, we are able to identify and monitor investments that raise questions. We address these investments directly with the manager and ask for justifications or insights into the manager's view.

Not all issues are black or white, and a manager may have a different perspective. That said, we expect our managers to have fully considered any issues relating to their investments and to have reached a balanced assessment.

If a manager does not meet our minimum expectations, we will set a timeline to implement processes and make improvements. Should a manager not respond in a satisfactory way by the end of this timeline, we will ultimately exit the investment.

ESG data providers

As noted in Principle 1 we believe in conducting our own thorough investment research and don't outsource any of this to third parties. Nor do we outsource voting to proxy advisers. We do all our own voting in-house. Our proxy voting process is set out in Principle 12.

Where we do use third party research it is to complement our proprietary fundamental research, and comes primarily from a select number of independent, specialist boutique firms. It is typically used at the beginning of the process to build a better understanding of a wider industry. These providers are monitored on an ongoing basis by the investment team and reviewed on an annual basis by the Co-Heads of Investment.

Since 2017 we have engaged an independent provider of ESG research to provide additional ESG insights. This provider is reviewed annually. In 2020, after reviewing the needs of our business, we replaced our incumbent ESG research provider with MSCI. We appointed MSCI based on the breadth of their research and more effective delivery methods . This includes a comprehensive research portal that contains their methodologies, as well as customised reports.

MSCI's appointment also facilitates consistency of data and collaboration across the Wealth and Asset Management businesses within the Rothschild & Co group. We have generally been satisfied with the depth of MSCI's research. Importantly, the company focuses on materiality issues in the same way as we do. We are also impressed by the ease of use of their tools and the availability of a wide range of ESG data points.

Despite the early stage of our relationship, we have been encouraged by their willingness to discuss points where our analysis differs to theirs. We proactively give feedback to MSCI on an ad-hoc basis and at a minimum of once a year. Examples of areas for improvement are:

- Feedback from companies about the lack of transparency of MSCI's assessments.
- Company controversies continue to count against them for years after they have addressed the issue.
- Specific feedback on the frequency and methodology of assessing a US bank.
- The relationship between a good rating and the ability for a company to provide detailed data versus a poor rating and limited data. This skews good ratings to large companies.

We do not use proxy advisers and lay out our proxy voting process in Principle 12.

Our supplier code of conduct

At Rothschild & Co, we are committed to encouraging responsible business practices, including throughout our supply chain. When working with supply chain partners, all parties should commit to working with each other to build a relationship of respect, trust and transparency.

The group has formalised its expectations in a dedicated Supplier Code of Conduct for any new contracts (including contract renewals) signed with third parties who supply goods or services to the group.

This one-page document clarifies for our suppliers our expectation for respect of fundamental ethical, social and environmental principles in doing business with Rothschild & Co. It also extends to the supplier's relations with its own employees and subcontractors or any other related third parties of supplier entities and organisations forming part of the engagement.

36 South: Partnerships during times of crisis

As the COVID-19 crisis unfolded, we had numerous discussions with our external managers to see how they were responding to the crisis. First and foremost, we wanted to make sure that staff were well taken care of and had the tools to work from home effectively. Second, we wanted to understand the monitoring efforts of our managers and, where applicable, how they were engaging with investee companies.

Subsequently, we have been impressed with how our managers handled the crisis across the board, be it at firm level or with their investments.

One example of a long-term partnership and how they navigated the COVID-19 crisis together with us is 36 South. Based in London, 36 South provides tail risk protection strategies to its clients. We have had a relationship with them since 2010 and during most of our relationship we did not need a 'call to action', as markets have generally been very resilient. This changed in Q1 2021. During this time, we had numerous calls with the manager about positioning, performance and how things were developing.

Often, the manager reached out to us proactively to provide us with updates. This greatly benefited our decision-making, as we knew the manager was delivering on our expectations. At the bottom of the market downturn, the manager monetised a significant part of its gains, and we were able to bring back the cash to fund new positions in client portfolios. It is during stressful times that we see the real value of long-term partnerships.

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

In our view, engagement is one of the most powerful tools we have as investors to influence positive change. As active owners of our investments, we can be agents for change – influencing the ways companies and fund managers manage their ESG risks and opportunities. If we can encourage them 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. This view applies to all investments we make in companies on a discretionary basis.

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 exert influence and make a difference.

Given our intensive, research-driven approach, we don't expect to regularly encounter new material ESG issues with the assets in which we invest because significant concerns would normally preclude investment in the first place. However, we recognise that no company is perfect. Just as we are on a journey with regards to sustainability, many companies are on journeys of their own.

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. 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 and ESG issues. This enables us to assess whether the company's position is strengthening or weakening. These interactions take place verbally, in writing or in person.

When prioritising engagement, we focus on materiality. When concerns or material issues do arise, outside of our own red lines, we engage directly with management as our first and preferred course of action. We believe it's more responsible to address sustainability issues as an engaged shareholder rather than divesting and leaving the problems for others to solve.

We expect a clear strategy and timetable for addressing any issues in question, which we then monitor closely.

We consider our engagement a success when we see positive change, but we acknowledge that these issues are often very complex, and patience is nearly always required. Ultimately, however, 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.

As discussed in more detail in Principle 7, 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 whose funds we own, we create a framework which incorporates their policies, processes and portfolios. These frame 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.

The huge level of disruption caused by the COVID-19 pandemic was the focus of our engagement with our portfolio holdings in 2020. A significant amount of time was spent assessing what this would mean for their short- and longer-term prospects, as well as the steps these companies were taking to support their employees, customers, and communities. For example, we discussed our interactions with Admiral in Principle 2.

Despite our focus on the pandemic, we conducted many other engagements during the course of in 2020, including taking part in Moody's efforts to collate stakeholder views on the materiality of ESG topics, and a collective engagement organised by the Investor Forum regarding voting practices at Ryanair. Refer to our detail in Principle 10.

Engaging with fund managers

By the end of 2019, most of the managers we were invested in had published a formal responsible investment policy. Two that had not were Bares Capital and Lansdowne Partners. Throughout 2020, we continued our discussions with these managers and are pleased to report further progress they've made . Early last year, Bares engaged consultants to provide input and support on their approach to responsible investment. Subsequently, we were pleased to receive the company's responsible investment policy in May 2020, as well as an assurance that they would provide full transparency on their annual proxy voting. At the end of the year, Bares also confirmed that they would become a signatory to the UN PRI as of March 2021.

Meanwhile, Lansdowne made promising progress on responsible investment in 2020. In our view, Lansdowne had been one of our managers with the most room for improvement in its approach to policies, disclosures and engagement in this area. Having identified certain holdings with material ESG concerns in the Developed Markets Long Only fund in which we were investing, we initiated discussions with Lansdowne on their approach. These exchanges revealed that the firm was putting serious effort behind their ESG analysis, and they subsequently finalised a responsible investment policy, as well as committing to providing more detailed ESG analysis of their portfolio holdings. The manager will also regularly share their engagement activity with us in a more formal manner moving forward.

We are very satisfied with the progress made by Bares, Lansdowne and our other third-party managers during 2020. And for our part, we will continue to provide constructive feedback and share best-practice guidance with them on sustainability issues.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

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 very open to collaborative engagement if this avenue stalls. 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. One of the forum's objectives is to facilitate collective engagement with UK companies, and we participated in one relevant collective initiative in 2020. Further information on the Investor Forum can be found at www.investorforum.org.uk.

We are also a signatory to the UN PRI, which offers opportunities for collaborative engagement, and we regularly monitor and consider these avenues if we think this in our clients' interests.

In 2020, we identified a number of industry initiatives that we believe are aligned with our philosophy and our clients' interests. We have conducted due diligence on the organisations in question, which has involved conference calls with their representatives.

Part of the rationale for joining these initiatives is to broaden our opportunities to join specific collaborative engagement activities. We expect to join these initiatives in the course of 2021 and will report on our progress and experiences in our next report.

Ryanair: collective engagement through the UK Investor Forum

In 2020, we participated in a collective engagement organised by the Investor Forum regarding voting practices relating to American Depository Receipts (ADRs) at Ryanair.

This engagement was a follow-up to a project conducted by the Investor Forum in 2018, which had questioned the practice of unexercised ADR votes automatically being directed in favour of a board's recommendations at company meetings. As a result of the Investor Forum's work all UK-listed companies, with the exception of Ryanair, had agreed to no longer direct votes relating to unexercised ADRs.

The Investor Forum approached its members in 2020 to ask if they would support a follow-up with the company. Although we recognised that Ryanair's corporate governance had matured significantly during the course of our ownership, we decided to support the engagement to encourage the company to adopt the new best practice.

Ryanair responded promptly to the approach from the Investor Forum. The company reiterated it would not be changing its position considering current circumstances surrounding Brexit. However, at the subsequent AGM, it clearly disclosed the portion of shares voted in this way. We viewed the increased transparency as a positive step forward and will continue to monitor regulatory developments.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

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 transparent dialogue and are not afraid to discuss difficult topics. We believe this approach allows us to resolve most of our concerns.

Nevertheless, 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.

We were not required to escalate any engagements in 2020.

Principle 12

Signatories actively exercise their rights and responsibilities.

An important aspect of our active ownership, and one of the key tools we have to influence companies, is by exercising our rights as shareholders through proxy voting at company shareholder meetings. We have set the following voting principles for our proxy voting activity:

- We vote on all resolutions where we have voting rights.
- We base voting decisions on our own analysis.
- We see voting as one form of engagement among others.

With our principles providing a roadmap, we can have a say on corporate governance issues such as board structure, diversity and executive pay, as well as seeking company disclosure on a range of topics including climate change.

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. All discretionary holdings of a particular company will be voted in the same way.

We assess all votes ourselves and do not use external advisers to inform our voting decisions. Most resolutions are uncontroversial and do not require lengthy discussions. In cases where a shareholder 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. The members of the investment team mostly involved in these decisions are two of the Co-Heads of Investment, the responsible investment specialists and the lead analyst on the company.

We view voting the shares held in discretionary portfolios as a part of our fiduciary duty to our clients, and 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. Clients are able to direct votes on positions held on an execution only basis.

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.

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 annual ESG Report provides our clients with our voting record on an annual basis. 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, such as:

- Voting against the recommendations of a board.
- Voting against a resolution, but in line with the recommendations of a board.
- Placing a vote that was not in line with our guiding governance principles in the event of mitigating circumstances.

Proxy voting in 2020

During 2020, we voted on 290 resolutions across 19 company meetings. The concentrated number of holdings in our portfolios means we can easily monitor data materials released by our investee companies, regardless of geography, including data relating to shareholder meetings. Each resolution for every meeting is added to an internal document and discussed by at least two Portfolio Managers, and in consultation with the lead analyst as necessary.

Once decisions are made, they are passed on to our operations team for execution and logged in our records. The results of each vote are also logged. Where practical and beneficial, we will consider attending meetings in person.

The summary of our voting activity in 2020 is:

		Voted For	Abstained	Voted Against	Total	Votes Against the Board Recommendation
Board of Directors	Election of Directors	181	–	–	181	–
Compensation	Advisory Vote on Executive Compensation	12	–	–	12	–
	Advisory Vote on Frequency of Compensation Votes	1	–	–	1	–
	Incentive Plan	6	–	–	6	–
	Remuneration Policy	2	–	–	2	–
	Remuneration Report	5	–	–	5	–
Capital Structure	Allotment of Securities	8	–	–	8	–
	Cancellation of Shares	1	–	–	1	–
	Disapplication of Pre-emption Rights	9	–	–	9	–
	Payment of Dividend	3	–	–	3	–
	Repurchase of Shares	6	–	–	6	–
Strategic	Political Donations	2	–	–	2	–
Financial Reporting	Receipt of Financial State-ments	5	–	–	5	–
Audit Related	Ratification of Auditor	16	–	–	16	–
	Remuneration of Auditor	6	–	–	6	–
Administrative	Amendments to Articles	11	–	–	11	–
	General Meetings	3	–	–	3	–
	Securities Depository Migration	2	–	–	2	–
Stockholder Proposal	Stockholder Proposal	1	–	10	11	1
	Total	**280**		**10**	**290**	**1**

The case where we voted against the recommendation of the board was a shareholder proposal requesting the requirement for future board chairs at a US media company to be independent. Having assessed the individual circumstances at this company, we decided to support the resolution, which was in keeping with our general preference for an independent chair. This resolution did not pass; therefore, this will be an issue we continue to monitor.

There were several resolutions last year where, after careful deliberation, we eventually voted in line with the board's recommendations. This was the case with resolutions put forward by fellow shareholders covering important topics such as diversity reporting. In these cases, we assessed the specifics of each resolution in depth as well as the company's position, and only voted with the board if we felt their response was sufficient.

We have already seen a noticeable increase in investor-led resolutions in 2021, some of which are well-structured and aligned with the objectives of our Responsible Investment Policy. These resolutions provide us with additional ways to engage with companies.

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.

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