



# APPENDICES

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## FAMILY WEALTH AND LEGACY PLANNING

### APPENDIX I: Course Completion Checklist |

COURSE COMPLETION CHECKLIST	Yes	No
Is there a clear definition of family for your legacy strategy, with family history, likely future evolution and current challenges set out?		
Are family purpose, vision, and values clear and agreed?		
Is your approach to family leadership and governance effective?		
Do you have an agreed philosophy of wealth and fully aligned set of asset structures and distribution policies?		
Have you established a best practice approach to family wealth management and reporting, including sustainable and impact investments?		
Do you have the best possible approach in place and working well for family business ownership, governance, management and strategy?		
Are your philanthropic objectives defined, agreed and measurable?		
Is there an agreed approach to the drafting and assembly of key documents?		
Are you satisfied with your approach to family culture, relationships and individual issues, including conflict avoidance and dispute resolution?		
Are your family risk management priorities well addressed?		
Do you have strong Generational Transition, Family Education and NxG Leadership Development Plans in place, including emotional readiness?		



## FAMILY WEALTH AND LEGACY PLANNING

### APPENDIX II: Executive Summary and Next Steps |

DOWNLOAD INTRODUCTORY VIDEO << [HERE](#) >>

#### CONTEXT

In the midst of an unprecedented global health and economic crisis, and the uncertainties it brings, the Cuscaden Family faces a number of unprecedented family and business challenges.

As a result, both our immediate tactics and long-term strategies need to be reconsidered, and changes made, to manage the risks, and take advantage of the opportunities, in front of us.

#### A TESTING TIME

Family leaders, capabilities and values are tested, and great families are forged in times of crisis and adversity. The strategies that we develop, and the actions we take, will have a profound influence on the future we create, and the family legacies we leave.

If we respond well, we can navigate successfully through these turbulent times and also take advantage of the opportunities to reinforce and build on our family foundations, strengthening our family and emerging even stronger to face the inevitable crises of the future.

Our approach to the present and future challenges will need to be conscious of the fact that some 'best practices' from the past will need to be supplemented by a set of new 'next practices' which are better adapted to allow your family's wealth and legacy to survive and prosper in the future.

Rising to the short- and long-term challenges of this phase will also be as much about addressing the 'soft' people issues such as leadership, unity and motivation as well as the 'hard' issues such as wealth structuring, investment, business strategy and philanthropic impact.



## **ELEMENTS OF STRATEGY**

In order to be as effective as possible, we will need to address a number of interdependent elements of strategy on a coordinated basis. These areas are as follows, with a short summary of our priority actions in each area below:

### **1. Purpose, Vision and Values**

The new Cuscaden Family Statement of Purpose and Values can provide a relevant guide to our actions:

- I. To create a business and manage our wealth in a responsible and sustainable manner in order to secure the health, education and financial welfare of members of the Cuscaden family indefinitely, and also to use our wealth to improve the quality of life for those in need of support.
- II. To make a valuable contribution in selected areas of philanthropy, sustainable investment and environmentally focused “clean” technology.
- III. To be a united and harmonious family - across multiple generations and at all times - whose members, traditions and values are worthy of respect.

#### **Revising our Vision**

Due to the constraints of starting new businesses in the current climate, coupled with increased geopolitical risks, we are deferring, and possibly cancelling, our emerging markets JV initiatives India and China. This will revise our vision which included the development of a scale set of activities, and an increasing international presence, by 2025.



## **APPENDIX II: Executive Summary and Next Steps | cont'd**

### **Living our Values**

In addition to aligning with this aspirational statement, the principles we demonstrate at this time in our decisions and actions must be consistent with the four primary Cuscaden family values - Integrity, Unity, Responsibility and Generosity.

In the current environment we are putting these values into action by reinforcing unity through increased communication, and open sessions with all G2s and G3s, generosity by increasing our philanthropic spending by 50% to fund local food banks for unemployed individuals and their families' responsibility by retaining as many employees in our businesses as we can, and integrity by taking tough decisions to honor our commitments – or work together to find new agreed win/win solutions - even if it is not always easy to do.

## **2. Leadership and Governance**

We have taken a major step forward in formalizing our governance and broadening the number of leadership roles in the family. By drafting and ratifying our first Family Constitution, we have created an approach which is balanced, fair and transparent, and operates in line with the achievement of our broader purpose and our four principal values.

In creating roles which are a balance of both meritocratic positions (ensuring the best person is in place for the job) and rotating between branches and generations (ensuring balance and stability within the family), the approach taken will provide a structured approach which, we hope, can operate successfully for many years no matter who is taking up the available positions.

Given the number of times that leadership appears as either a weakness or as an opportunity for improvement in interviews during the early stages of the legacy planning exercise, addressing this issue is a high priority task.



**APPENDIX II: Executive Summary and Next Steps | cont'd**

It is essential now to redefine the roles and responsibilities of the leadership and advisory team, even in advance of an FD/future CEO coming on board. There is now a need to put the right people into the right jobs with the right objectives, leadership, supervision and compensation.

### **3. Wealth Structuring and Protection**

In addition to continuing the longer-term initiatives over the past three years with regard to the diversification of trust jurisdictions and increased use of our own Private Trust Companies, we need to add a review of the possible value of a long term HEW Trust for the future members of the family whose parents have lost a substantial portion of their wealth.

The level of distributions of trust income and capital to family and philanthropic beneficiaries also needs to be examined in an environment with diminished dividends and low interest rates.

A review of the trust system and its operations, resulting in the drafting and agreement of a new Letter of Wishes, more frequent meetings with trustee and advisors on a group basis with younger family members, the outline of a system of PTCs and diversification of trust jurisdictions and trustee arrangements.

In addition, as a result of increased long term tax risk in our home country, a review of domicile issues, on and offshore living options or Family Members and roles and responsibilities related thereto should be addressed.

We are also strengthening the role of our offshore functions through the establishment of a high-quality Investment Committee, which also constitutes the board of the Swiss entity, to review proposals and make formal investment recommendations to the trustee for decision-making.



#### **4. Wealth Management**

A Wealth Review initiative undertaken by Charles Cuscaden and the FO team led to a change in portfolio reporting to show total family wealth from different perspectives, both with and without the family businesses, overall asset allocation and concentration risk ratios, individual manager performance, cash on hand and currency exposures

While confirming our lifestyle-legacy approach to investing, the current situation demands a review of the split of assets between the two, the risk profile and expected return in each asset class and industrial sector, and the need to take a more active role in balancing portfolio risk - concentration risk, currency risk, counterparty risk and tail risk - based on the lessons learned over this past year and from the GFC as well.

Investment Policy Statement: The drafting of our first IPS led to a top-down and bottom-up review and rethink of the asset allocation model (emphasizing income generation as well as capital growth), the nature of the investments chosen, the role of the investment manager and possible appointment of a new investment advisor with a broader and more forward looking approach, eradication of some unhelpful patterns (e.g. investing with friends and doubling down on unsuccessful investments) and the institutionalization of a more expert and disciplined approach taken to the selection of managers in our financial 'eco-system' and related tactics and execution in each asset class.

Cost reduction and portfolio efficiency: We have reduced our manager and banking charges by 30% over this past year through a greater amount of attention being invested in redesigning reporting forms and analyzing and renegotiating portfolio costs and returns.

Sustainable and Impact Investing: We will be investigating the possibilities to reallocate a visible portion of our liquid wealth to this sector, headed by a joint team of G2 and G3 Family Members.



## FAMILY WEALTH AND LEGACY PLANNING

### APPENDIX II: Executive Summary and Next Steps | cont'd

#### 5. Family Business Ownership and Strategy:

The economic impact of the COVID-19 pandemic led to a thorough review of the way we were doing business: increased importance of cash collection, reduction in HQ and operating cost reduction, and restructuring financial arrangements with the banks were all part of the new focus in the markets. Decisions were taken to defer some growth initiatives in the emerging markets and limit credit lines, even to established clients.

CSR: We did not step back from our CSR policies but have refocused on those areas where there is greater tangible commercial benefit, e.g., 'green energy' and organic products in our agriculture businesses.

Innovation and Entrepreneurship: Within the family and our businesses we have restructured our 'I&E' program to focus on innovative ways to protect and improve operations in existing operations, including the application of new technologies. The Family Entrepreneurial Fund remains available to younger Family Members who see business creation opportunities despite (or maybe because of) the challenges of the crisis.

#### 6. Philanthropy and Social Engagement

We have increased our financial commitments to philanthropic activities, and added a new branch of activity, providing ICU equipment to local hospitals and working with partners to feed unemployed individuals and their families in our home city.

Immediate action priorities: To review the long-term consequences and family needs in our home city as a result of the pandemic and lead an effort to assemble a group of leading families, companies and public bodies to identify priority needs, and then design and roll out both short- and long-term action plans to fill these needs.





## **7. Family Culture, Relationships and Individual Issues:**

Family relations have been generally harmonious for many years, but the bonds between younger generation members appears to be declining as people move abroad and follow different life paths in different places. A cross-generational social program was put in place and an improved approach to communications was set up by Anna Cuscaden under the direction of the Family Council.

## **8. Family Risk and Crisis Management**

As a result of the crisis, we are moving into an era of enormous tax revenue shortfalls and a likely targeting of res non-doms and rich list UHNWIs by the new Inland Revenue Special Unit. In this environment, nothing but 100% solutions regarding offshore structures, reporting lines, processes and policy-setting are likely to hold up in the coming years.

Action consistent with this observation could include bolstering of resource in Geneva, protection of the integrity of the trustee's role, simplification where possible, and a strict separation of on and offshore employees, reporting lines, advisors, meetings, archives, activities and structures.

## **9. Family Office and Ecosystem**

Following a full review and wholesale change of the family services area, culminating in a comprehensive security review and overhaul of premise security, staffing and reference procedures, selection and management of security guards, hiring of a professional head of family services (Rose Haywood) and significant increase in interaction between family members and the new head of family services.



## FAMILY WEALTH AND LEGACY PLANNING

### APPENDIX II: Executive Summary and Next Steps | cont'd

The creation of a Geneva office with seven key functions:

- Supporting function for trust administration
- Supporting the operations of Investment Committee
- Building up a broad network of family offices and co-investment deal sources
- Searching for and evaluating investment managers
- Searching for and evaluating direct equity opportunities
- Coordination of banking relationships
- Optimal management and development of the family property portfolio

It will be a high priority to determine the future shape of the organization, define roles at all levels, fill in gaps in resource levels, reduce costs and address weaknesses in operation and execution.

#### 10. Generational Transitions and Leadership Succession

Although not due for more than 5 years, James IV (4 years from now) and Anne (5 years) will be stepping down from all of their leadership roles. Effectively, this means that each major role in the Family Enterprise will need to be filled: Chairman of the Businesses, Chairman of the Foundation, Chairman and Vice Chairman of the Family Council, representative on the national President's Business Board, Trustee of the Church Body of Elders, Chairman of the Family Office Oversight Board and Investment Committee.

Although the process for filling these roles is now established in the Family Constitution, a full-scale effort needs to begin today with the Nominating Committee to identify potential candidates for these roles, assess individual and team capabilities, review different approaches to filling the roles and offer opportunities for future leaders to step into related roles such as director of small businesses, Vice Chairman of the Family Council, etc.



## FAMILY WEALTH AND LEGACY PLANNING

### APPENDIX II: Executive Summary and Next Steps | cont'd

Progress to increase engagement of all NextGen members in selected meetings and decisions, the initiation of Alex's summer internship at Cuscaden Steel, the design and implementation of a major remedial educational program to address knowledge gaps have been necessary, but not sufficient, progress in preparing the family and selected individuals for their roles in the future.

Addressing other succession issues will include hiring a replacement firm for legal advice (John and Samantha), identifying a successor to the lead trustee, and identifying and beginning the search for a successor to ND as the Geneva FD/future CEO.

**Emotional Readiness:** In both Generational Transition and Leadership Succession considerations, the role of 'Emotional Readiness' needs to be considered along with technical expertise and experience in the job. A Myers-Briggs style analysis and work with a coach and family (non-parent) mentor will be a valuable part of all future preparations.

**Inverting the pyramid at the time of transition:** One proposed approach for the succession of financial leadership into the next generation would be to 'invert the pyramid', meaning that the team of advisors who currently report to James's leadership (at the apex of the pyramid) would themselves become leaders of the process, explaining policies and fielding ideas from family members but retaining ultimate decision-making authority. Family Members would thus

The details of this approach have yet to be worked out or accepted by the trustee and relevant family members.



## **11. NextGen and Family Education**

Each Family Member will need a basic education in business and financial matters, along with exposure to family governance and family 'soft' issues in order to play their roles as good owners of wealth and contributing members of the family.

From the age of 25 onward, family members will be strongly encouraged to have completed a participation in some form of formal external training to ensure that these basic skills are in place. No position in any family body will be open to individuals until he or she has completed this training.

A special role will be created in the Family Office, reporting to the Chair of the Family Council, to ensure that programs are available and funding in place for this education to be assured.



## FAMILY WEALTH AND LEGACY PLANNING

### APPENDIX III: Document Architecture |

SHORT TERM (CURRENT YEAR)	MEDIUM TERM (3-5 YEAR PERSPECTIVE)	LONG TERM (MULTI-GENERATIONAL)
<ul style="list-style-type: none"> <li>• PHILANTHROPIC OBJECTIVES AND PROGRESS REPORT</li> <li>• FAMILY MEETING AGENDA</li> <li>• INVESTMENT POLICY STATEMENT</li> <li>• SUCCESSION PLAN (SHORT TERM ACTIONS)</li> <li>• ANNUAL REVIEW FORMS FOR DIRECTORS</li> <li>• HEAD OF FAMILY OFFICE SCORECARD</li> <li>• ECOSYSTEM ASSESSMENT</li> </ul>	<ul style="list-style-type: none"> <li>• EXECUTIVE SUMMARY OF FAMILY WEALTH AND LEGACY PLAN</li> <li>• INVESTOR PROFILE AND OBJECTIVES</li> <li>• PHILANTHROPIC TARGET DISPLAY</li> <li>• FAMILY BUSINESS STRATEGY EXECUTIVE SUMMARY</li> <li>• NEXT GEN EDUCATION AND DEVELOPMENT PLAN</li> </ul>	<ul style="list-style-type: none"> <li>• FAMILY DEFINITION, HISTORY AND CULTURE</li> <li>• STATEMENT OF FAMILY PURPOSE, VISION AND VALUES</li> <li>• FAMILY CONSTITUTION</li> <li>• GOVERNANCE STRUCTURES</li> <li>• PHILOSOPHY OF WEALTH</li> <li>• ASSET STRUCTURES</li> <li>• PHILANTHROPIC POLICIES</li> <li>• FAMILY CULTURE: ISSUES AND RESPONSES</li> <li>• GENERATIONAL TRANSITION PLANS</li> </ul>



## FAMILY WEALTH AND LEGACY PLANNING

### APPENDIX IV: Cuscaden Family Vision |

The Cuscaden Family will strive to become one of the world's most highly respected business families, constantly setting and achieving new standards of excellence in our business operations and financial results, sustainable wealth management, community engagement, philanthropic contribution and family harmony across generations.

Throughout all of our endeavors we shall respect the highest standards of business ethics and family integrity – building on our historic reputation as “capitalists with a conscience”.

The achievement of this vision will allow us:

1. to secure the health, education and financial welfare of members of the Cuscaden family indefinitely
2. to make a valuable contribution in selected areas of philanthropy and principled social engagement.
3. To develop a substantial, growing, and profitable business
4. to create a process to protect, enhance, distribute and share Cuscaden family capital across generations in a manner which increases the available life choices and enhances the quality of life of all bloodline descendants of James and Catriona Cuscaden.



## FAMILY WEALTH AND LEGACY PLANNING

### APPENDIX V: List of Courses for Further Exploration |

#### FOUNDATION COURSES

- **FOUNDATIONS OF LEGACY:** Family History, Purpose, Vision and Values
- **THE RENAISSANCE LEADERSHIP IMPERATIVE:** Mastering and Integrating the Disciplines of Our Time
- **FAMILY BUSINESS:** Achieving Excellence in Ownership, Governance, Leadership and Strategy
- **GETTING STARTED:** An Introductory Primer on Family Finances and Investment

#### CORE COURSES

- **BEATING THE ODDS:** Turning a Financial Fortune into an Enduring Family Legacy: The Essential Elements (FWLP)
- **THE FAMILY OFFICE AND ECOSYSTEM**
- **A GUIDE TO GOOD GOVERNANCE:** Addressing Board Structure, Leadership and Performance
- **WEALTH STRUCTURING AND THE PRINCIPLES OF WEALTH PRESERVATION**
- **FAMILY DYNAMICS:** Culture, Conflicts, Relationships and Individual Issues
- **GENERATIONAL TRANSITIONS AND LEADERSHIP SUCCESSION**
- **RESPONSIBLE BUSINESS:** CSR, ESG and New Measures of Success
- **SUSTAINABLE AND IMPACT INVESTING**
- **LIVING A TRULY WEALTHY LIFE:** Essential Knowledge for the Next Generation
- **EFFECTIVE PHILANTHROPY AND SOCIAL ENGAGEMENT**
- **PREPARING THE RISING GENERATION TO MASTER THE CHALLENGES OF THE FUTURE**
- **FAMILY RISK AND CRISIS MANAGEMENT**



## FAMILY WEALTH AND LEGACY PLANNING

### APPENDIX V: List of Courses for Further Exploration | cont'd

#### MASTERCLASS COURSES

- **INTEGRATED LEGACY STRATEGY**
- **FAMILY GOVERNANCE, LEADERSHIP AND SUCCESSION**
- **BUSINESS STRATEGY:** Improving Results and Increasing Value
- **FAMILY WEALTH MANAGEMENT**