

Context

In the wake of recent macro economic turbulence, and the future 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 and short term tactics 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, great families are forged in times of crisis and adversity. We are no exception to this rule. The strategies that we develop, and the actions we take now, 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 in 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.

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 G4s and G5s, **generosity** by increasing our philanthropic spending by 50% to fund local food banks for unemployed individuals and their families; **responsibility** by addressing our new CSR policy goals, 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, 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 family wealth and legacy planning exercise, addressing this issue is a high priority task.

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 Value 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 may have lost a substantial portion of their inherited family wealth.

The level of distributions of trust income and capital to family and philanthropic beneficiaries, also needs to be examined with a long term forward view in mind.

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 the principle 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 for 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 wealth management (holding company) entity, to review proposals and make formal investment recommendations to the trustee for decision-making.

4. Wealth Management

A Total Family Wealth Review initiative undertaken by Charles Cuscaden and the FO team, including all family assets and businesses, 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, investment and 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, including 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.

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), which led to a reassessment of: the nature of the investments chosen, the role of the portfolio 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 'ecosystem' and the tactics and quality of their 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 fees.

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 G4 and G5 family members.

5. Family Business Ownership and Strategy

The economic impact of the COVID-19 pandemic a few years ago led to a thorough review of the way we were doing business and increased the importance of cash collection, reduction in HQ and operating costs, and restructuring financial arrangements with the banks. Decisions were taken to defer some growth initiatives in the emerging markets and to limit credit line availability, even to established clients.

CSR: We did not step back away 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 experienced during the recent 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 as well as continuing our commitment to our existing philanthropic vision and initiatives.

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

We are moving into an era of enormous national debt levels, increased interest rates, tax revenue shortfalls and a likely targeting of wealthy families by tax policies and increased compliance resources. In this environment, nothing but 100% correct, compliant and tested fiscal approaches 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 of the Family Office and ecosystem needs, a number of changes were made.

The creation of a Geneva office with seven key functions:

- Supporting function for trust administration
- Supporting the operations of the Investment Committee
- Building up a broad network of Family Offices to share ideas and pursue 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, all G4 members 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 Business, Chairman of the Foundation, Chairman and Vice Chairman of the Family Council, a 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 develop their skills, fill educational and skill gaps (both hard and soft) and step into related roles such as director of small businesses, Vice Chairman of the Family Council, etc.

Increasing the engagement in education and preparation of all NexGen members is an important and urgent priority .

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

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

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 selected programs are available and funding in place for this education to be assured.

12. Oversight and Implementation Planning

In addition to these individual elements, the Family Council shall establish a Family Strategy and Development Committee, made up of members from all active generations and branches of the family, to oversee progress in each of the areas above.

The Annual Family Implementation Master Plan will be reviewed quarterly by this Committee and progress reported to the Family Council at their regular meetings.