STEWARDSHIP POLICY 2023

Coutts

MESSAGE FROM OUR CEO

For over 300 years, we have strived to be a long-term, indispensable partner for our clients and serve families over generations. Accordingly, we have always focused on creating long-term value for our clients. As responsible investors, we aim for our investments to integrate the delivery of sustainable benefits for the economy and the environment.

Stewardship is core to our approach as a responsible investor and it is a duty we take seriously. We work with our stewardship provider EOS at Federated Hermes who develops engagement strategies specific to each company, informed by its deep understanding across sectors, themes and markets. EOS seeks to address the most material ESG risks and opportunities, through a long-term, constructive, objectives-driven and continuous dialogue at the board and senior executive level, which has proven to be effective over time. This report outlines that approach and demonstrates how we incorporate stewardship into our investment activity.

MOHAMMAD KAMAL SYED,
INTERIM CEO, COUTTS, AND CHIEF INVESTMENT OFFICER, NATWEST GROUP

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This document details Coutts & Co. (Coutts)'s approach to stewardship and its statement of compliance with the 2020 UK Stewardship Code, which is overseen by the Financial Reporting Council (FRC). Its purpose is to protect and enhance the value that accrues to the ultimate beneficiaries. While the code is focused on the UK, it sets a standard for stewardship and engagement for non-UK investments. We seek to apply the same principles globally, taking into account local practice and law.

Coutts' report on its compliance with the UK Stewardship Code 2020 has been approved by the Head of Responsible Investing, Leslie Gent, the Interim CEO Mohammad Kamal Syed, the Wealth Executive Disclosures Committee and the Coutts Board. The Code comprises a set of 12 'apply and explain' principles for asset managers and asset owners[1]. This document should be read in conjunction the Cautionary Note on Climate Related Data, sections 5.7 and 5.8 of the NatWest Group 2022 Climate-Related Disclosures Report.

The Code principles are listed here:

1. Financial Reporting Council (FRC) - UK Stewardship Code

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."

Our purpose and investment beliefs

As part of NatWest Group, our purpose is to "champion potential, helping people, families and businesses to thrive", and together with the focus areas (Climate, Enterprise and Learning), it underpins what we do. We work together to provide the very best for our clients, whether by supporting their financial planning, helping to grow their businesses, ensuring their wealth has its intended consequences, and by building a diverse and inclusive workforce. As part of NatWest Group, Coutts Asset Management has as its purpose to secure our clients' future by protecting and growing their assets, to remove or simplify the barriers for investing and to reduce the climate impact of how we invest.

Example – B Corp

In 2021 Coutts became a certified B Corporation (B Corp). We've looked after clients in the best way we can, advising and supporting families for generations to achieve their goals. Our B Corp certification reinforces our commitment to look after our clients in the best way possible, being flexible and supporting each client individually.

How did we become a B Corp?

Step 1 - Make the Legal Change
We amended our Articles of Association committing to consider the impact of our decisions on not just shareholders but all stakeholders (such as the community and planet).

Step 2 – Pass the Assessment
We achieved a verified score of more than 80 points on the B Impact Assessment. This is an online portal with more than 200 questions specific to your industry. It spans five key impact areas: governance, workers, environment, customers and community.

Our culture is centred around three pillars:

OUR WAY OF LIFE:
We respect each other above everything else and we challenge and debate to reach the right outcome. We work together as a high performing team and achieve a healthy balance in our lives.

OUR POTENTIAL:
We believe everyone has the potential to grow. Our aim is to succeed collectively by being a learning organisation and to invest in the future with coaching, training, support, and encouragement.

OUR COMMUNITIES:
We care about our local communities and the environment, with a particular focus on climate change. We encourage everyone to get involved in a bigger purpose to help make a difference, and we are proud of the communities we've built within Coutts.

Our culture actively promotes effective stewardship and enables us to create long-term value for our clients, as it is based on collaboration, incremental growth and focuses heavily on our role in communities. It is these three pillars that guide us in our relationships with third-party funds and EOS at Federated Hermes, our longstanding stewardship provider. Following our 2020 announcement of our strategic relationship with BlackRock we have seen this strengthen our voting power and engagement influence as a responsible investor, but also delivering added benefits for our clients through increased trading efficiencies and improved manager pricing. In 2022 we embedded net zero characteristics into our ESG Insight fund range, managed by BlackRock. These funds have a 30% lower carbon intensity versus their parent benchmark and are designed to decarbonise 7% year-on-year in line with a net zero approach[2].

Our culture is underpinned by our values:

SERVING CLIENTS:
We exist to serve our clients. We earn their trust by focusing on their needs and delivering excellent service.

WORKING TOGETHER:
We care for each other and work best as one team. We bring the best of ourselves to work and support one another to realise our potential.

DOING THE RIGHT THING:
We do the right thing. We take risk seriously and manage it prudently. We prize fairness and diversity and exercise judgement with thought and integrity.

THINKING LONG TERM:
We know we succeed only when our clients and communities succeed. We do business in an open, direct, and sustainable way.

We have over 300 years of experience serving our clients and have always been guided by our values of collaboration, client service and long-term thinking. We believe our consistent values enable effective stewardship as they give us the mandate to manage and engage on our investments in a way that delivers good outcomes for clients.

2. NatWest Group 2022 Climate-Related Disclosures Report (page 7)

Our purpose supports effective stewardship

Coutts regards stewardship, as defined by the 2020 UK Stewardship Code, as integral to our investment process, and our purpose is supportive of our commitment to be a responsible investor. We define responsible investment as the integration of environmental, social and governance (ESG) factors into our investment processes and ownership practices. We believe that embedding Responsible Investing principles into our investment process will lead to better informed investment decisions and that ESG factors, over time, have the potential to have a positive impact on investment portfolios. We also believe that strong corporate governance practices and management of environmental and social risks are important drivers to the creation of long-term shareholder value. In addition to this, our emphasis on voting and engagement with our Coutts funds enables us to seek to drive change.

Example – Purpose

As part of NatWest Group, our purpose, which identifies climate change as one of its three priorities, is a cornerstone of our approach to Responsible Investing. We have set targets to reduce the carbon intensity of our funds and portfolios. We reduced the carbon intensity of equity holdings of our in-scope AuM by a weighted average of 30% per fund/portfolio (compared to a baseline of 2019 carbon intensity, weighted using 2022 AuMs[3]).

Our Responsible Investing Policy describes how we integrate environmental, social and governance factors into our investment decision-making processes, and our Responsible Ownership Principles outline our approach to ownership and governance of companies in which we invest.

As an active investor, Coutts takes a blended approach to investing via our own Coutts funds, external active funds, low-cost index funds and direct securities. On behalf of our clients we manage portfolios at all levels of risk – from 100% bonds to 100% equities, with balanced the most popular choice centred around 50% equity exposure.

When managing investments, we focus on three factors: **managing risk, managing costs, and investing responsibly** – which fits naturally with our investment philosophy.

OUR INVESTMENT PHILOSOPHY

The four principles that guide our approach to investing

CONSISTENT

Systematic analysis drives consistent outcomes

Analytical rigour and extensive investment expertise help us make intelligent decisions that contribute to consistent and sustainable returns.

RESPONSIBLE

Investing responsibly produces results beyond financial returns

Investing responsibly, over time, can positively impact our planet, the people on it and the potential returns.

DIVERSIFIED

Global economic growth drives returns

The best way to preserve and enhance wealth is through a diversified portfolio which provides broad exposure to the global economy.

RELEVANT

Thematic investing creates opportunities to outperform

By including thematic investment ideas relevant to the world today, we create an opportunity to drive returns beyond the pace of global economic growth.

The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of the original investment

Example – Exclusions

Patience is one of our core investment beliefs. It means that our funds and portfolios are in a position to take advantage of long-term opportunities. This enables effective stewardship as we can engage with the companies and funds, we invest in to drive positive change. For example, we do not have blanket exclusions on fossil fuels as we believe there is value in identifying the companies that are leading the transition to a low-carbon economy and engage with them to support and speed up this process. For more information, see Principle 7.

Our investment principles provide us with the roadmap for the way we look at the world and the way we run our business. We are not conflicted as our business model is one where we stand independent of any third-party investment bank or asset manager, which means we have freedom of choice in how we form and represent our investment philosophy into our clients' funds and portfolios.

Our Purpose, values, strategy, and investment philosophies are client-centred and designed to enable us to serve our clients effectively. Coutts, as a relationship bank and asset manager on behalf of our clients, aims to deliver consistent value for its stakeholders by providing diversified, actively managed investment solutions with a focus on ESG integration and active stewardship.

2022 Progress Example

- As part of the NatWest Group 2022 Climate-Related Disclosures Report we published the initial iteration of our climate transition plan, which outlines the steps we aim to take to achieve our interim targets and our net zero climate ambition by 2050.
- In 2022 NatWest Group became the first UK bank, and one of the largest banks globally to date, to have science-based targets validated by the Science Based Targets initiative (SBTi)[4].

3. NatWest Group 2022 Climate-Related Disclosures Report (page 7)
4. NatWest Group 2022 Climate-Related Disclosures Report (page 4)

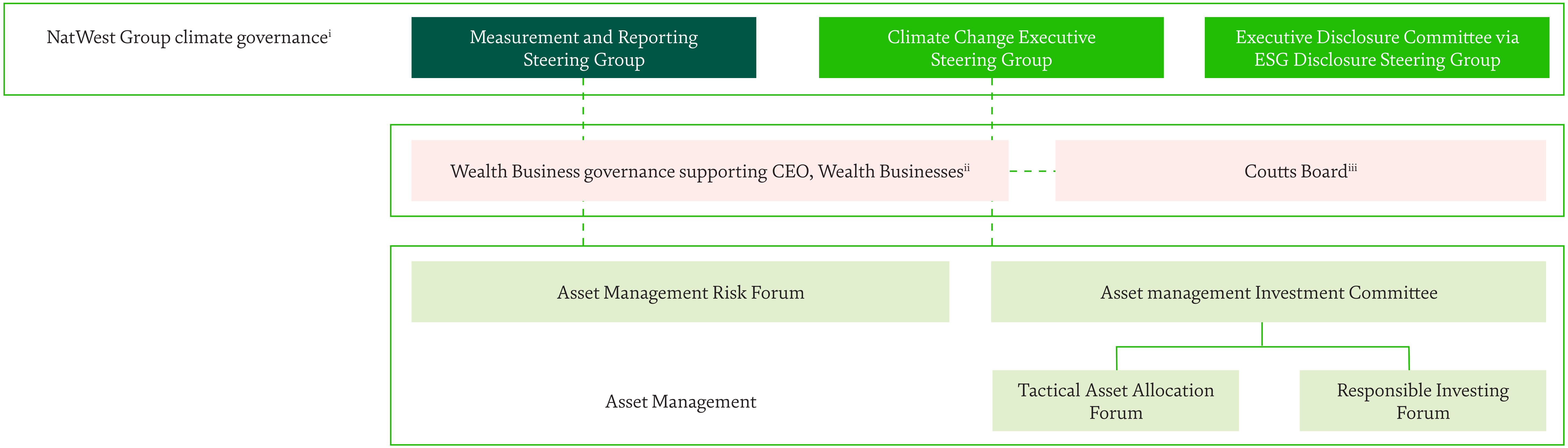
PRINCIPLE 2

"Signatories' governance, resources and incentives support stewardship."

Governance structure

The Coutts Investment Committee is tasked with the governance and oversight of all client investment outcomes, which includes Responsible Investing and stewardship. The Asset Management Risk Forum meets monthly to review, manage and monitor operational, compliance and conduct risk. Where output from these meetings relates to climate-related matters this is presented to the Wealth Businesses Climate Change Steering Group (WCCSG) before progressing to the Wealth Businesses Risk Committee. Today, oversight for the allocation of client capital rests with the Tactical Asset Allocation Forum, which includes input from our Head of Responsible Investing. The development of our approach to Responsible Investing is led by the Responsible Investing team and is informed by the Responsible Investing Forum, which includes members from across the business.

ASSET MANAGEMENT CLIMATE GOVERNANCE



Committees[iv]	Asset Management Risk Forum	Asset Management Investment Committee	Tactical Asset Allocation Forum	Responsible Investing Forum
Responsibilities	Provides oversight and management of business risk, including climate-related risks.	Strategic investment decisions and decisions around the implementation of the asset Management climate strategy and the monitoring of our investment process.	Approval of tactical investment opportunities in line with the climate strategy of Asset Management and NatWest Group.	Informs the Responsible Investing Team on ESG-related strategic priorities and supports the implementation of climate-related initiatives across Asset Management.

i. Relevant NatWest Group climate governance forums shown in NatWest Group 2022 Climate-Related Disclosures Report (page 20) for further details. Matters are escalated to NatWest Group climate governance as appropriate
ii. Includes Wealth Businesses ExCo, Wealth Businesses Risk Committee and Wealth Businesses Climate Change Steering Group, which provide oversight and make recommendations to accountable individuals
iii. Coutts Board is a decision-making forum
iv. In 2022, climate was discussed across all committees on a monthly basis.

Accountability and implementation of responsible investment, of which stewardship forms an integral part, is distributed across Coutts Asset Management and across different levels of seniority and areas of expertise. This allows for a diverse range of insights and fosters collaboration to ensure effective stewardship. The table below provides an overview of the teams involved in stewardship and the allocation of stewardship responsibilities.

	Oversight/accountability for stewardship	Implementation of stewardship
CEO, CIO, COO, Investment Committee	Yes	No
Head of Responsible Investing	Yes	Yes
Portfolio Managers	No	No
Investment Analysts	No	Yes
Dedicated responsible investment employees	No	Yes
Responsible Investment Forum	No	No

Coutts Asset Management manages investments on behalf of retail customers of NatWest Group. This includes the funds offered through the NatWest Invest and RBS Invest platforms. These funds are managed on a discretionary basis, but there is collaboration within the wider NatWest Group regarding delivery and customer journeys. Coutts Asset Management also works with the wider NatWest Group to share expertise around Responsible Investing and to achieve the Group's Purpose. The Coutts Responsible Investing team feeds into various working groups and forums and, where relevant, provides regular updates to the Climate Change Executive Steering Group.

For more detail on Asset Management governance please see the NatWest Group 2022 Climate-Related Disclosures Report[5].

Effectiveness of Governance Structures

Our governance process allows us to drive change, while keeping senior management involved and informed in the process. Decisions relating to stewardship feed up to and are approved by the Investment Committee, and information is then disseminated up and down. While ESG and stewardship is integrated into our investment-related governance, the Coutts Responsible Investing team also feeds into the Wealth Businesses Climate Change Steering Group (WCCSG), a sub-committee of the Wealth Businesses Risk Committee. The WCCSG, gathers senior representatives across the business, including several members of ExCo, and is chaired by the ExCo Climate Sponsor. It oversees the development and delivery of the climate strategy and where relevant it receives output from investment-related committees such as the Investment Committee and the Asset Management Risk Forum. This allows us to get stakeholder buy-in on ESG-specific matters before seeking official approval, which increases the effectiveness of our governance process.

The way that we are looking to improve our governance process still remains to have clearer delineations of responsibilities, with the goal of creating greater clarity where responsibilities lie and avoid duplication of efforts.

Climate Governance Structure

As shown on the following page Coutts Asset Management feeds into the Wealth Businesses Climate Change Steering Group (WCCSG), which sits at the franchise level and reports to the Group Board.

Management of AuM

Climate-related risks and opportunities within our Asset Management Business are managed by the Investment Committee and the Asset Management Risk Forum. Relevant output from these meetings is presented to the WCCSG before progressing to the Wealth Businesses Risk Committee. The Asset Management Investment Committee monitors and assesses risks and opportunities for our portfolios and funds, including those relating to climate change. As illustrated on the next page, the Asset Management Investment Committee is responsible for approving and reviewing the Asset Management Investment Strategy and progress against our carbon reduction targets and net zero ambition. Our Responsible Investing Policy[6] and Stewardship Policy, which are available on the Coutts website, set out our approach to integrating ESG risk into our investment decision-making process.

5. NatWest Group 2022 Climate-Related Disclosures Report (page 20)
6. Coutts Responsible Investing Policy

Climate Governance Structure across NatWest Group

As shown below Coutts Asset Management feeds into the Wealth Business Climate Change Steering Group which sits at the franchise level and reports upwards ultimately to the NatWest Group Board.

BOARD LEVEL GOVERNANCE[7]

NatWest Group plc Board – Establishes purpose, sets strategic aims, monitors and oversees progress against strategic climate targets

Group Board Risk Committee

Considers current and potential future climate risk exposures

Group Sustainable Banking Committee

Oversees progress against our purpose and climate ambition

Group Nominations and Governance Committee

Monitors NatWest Group's governance arrangements and oversees review of Board skills and succession planning activity

Group Audit Committee

Considers financial and non-financial disclosures and receives assurance regarding the robustness of controls supporting these disclosures

Group Performance and Remuneration Committee

Oversees link between climate strategy and remuneration

EXECUTIVE GOVERNANCE

Group CEO — Joint SMF[i] accountability for identifying and managing financial risks from climate change, together with the Group Chief Risk Officer (Group CRO).

Executive team — joint accountability or delegated responsibility from the Group CEO for identifying and managing financial risks from climate change – Group CRO, Chief Financial Officer (Group CFO), Group Chief Information Officer (Group CIO), Group Chief People and Transformation Officer (Group CPTO), Director, Strategy, Corporate Development and Sustainability and the business CEOs.

Executive Risk Committee

Chaired by and supporting the Group CEO. Reviews and challenges all material risk exposures including operational, reputation and climate risk.

Climate Change Executive Steering Group (CCESG)[ii]

Chaired by the CEO, RBS International[iii], supporting the SMFs and delegates. Responsible for delivery and implementation of strategic climate ambitions.

Executive Disclosure Committee

Chaired by and supporting the Group CFO, together with its ESG[iv] Disclosure Steering Group, reviews all significant disclosures, including climate disclosures.

Group Reputational Risk Committee

Chaired by and supporting the Group CRO, considers the reputational impact of significant climate decisions, including risk appetite, policy and customer acceptance.

BUSINESS AND FUNCTIONAL GOVERNANCE

CEO-2/3 delegates (Climate Sponsors) — Nominated by their accountable executives, these franchise and functional representatives collaborate via the core groups listed below to support delivery of our climate ambitions, in addition to local, business-level governance arrangements as designed by them to support the Sponsors/ExCo members.

- **Retail Banking Climate Steering Group**
- **Wealth Businesses Climate Change Steering Group**
- **Commercial and Institutional RFB Climate Engagement Forum[v]**
- **RBS International Environmental, Social and Governance Steering Group[vi]**
- **NatWest Markets Climate and Sustainability Committee Steering Group[vii]**
- **Own Operations Executive Steering Group**
- **Climate Data Steering Group**

CORE CROSS-BANK WORKING GROUPS

Climate Risk Oversight Forum

Chaired by Risk — Supports Climate Risk's oversight responsibilities.

Measurement and Reporting Steering Group

Chaired by Finance and CCoE[viii] — Coordinates development of the Climate transition plan.

Climate Opportunities Group

Chaired by Retail and Commercial and Institutional in partnership with CCoE — Responsible for scoping and monitoring of climate opportunities across five climate themes.

i. Senior Manager Function holder (Group CEO and Group CRO)
ii. For further details see NatWest Group 2022 Climate-Related Disclosures Report (page 16)
iii. Previous Director, Strategy and Ventures who continues to chair the forum
iv. Environmental, Social and Governance (ESG)
v. Relating to ring-fenced bank activity
vi. Relating to activity outside of the ring-fenced bank
vii. Relating to non ring-fenced bank activity
viii. Climate Centre of Excellence

7. NatWest Group 2022 Climate-Related Disclosures Report (page 15)

Our people

All colleagues in the Coutts Asset Management team are responsible for the implementation of our Responsible Investing strategy, and this forms part of everyone's objectives, regardless of seniority. While the Responsible Investing team focuses on setting the strategy and coordinating its implementation, all teams within Asset Management embed ESG and stewardship into their broader responsibilities, with support of the Responsible Investing team. Some examples of teams that are directly involved in stewardship are:

- Fund research team: select best-in-class funds when it comes to ESG and active stewardship
- Risk team: incorporate ESG risks into our risk framework
- Wealth managers and investment specialists: communicate our approach to stewardship with clients
- Responsible Investing team: set our stewardship strategy and policies
- Product teams: design our investment products in a way that enables effective stewardship.

While the members of the Asset Management team come from a wide range of backgrounds and can possess different qualifications, ranging from Chartered Financial Analyst (CFA), CFA's 'Certificate in ESG Investing', CISI's 'Private Client Investment Advice and Management' (PCIAM) to CISI's 'Investment Advice Diploma' (IAD), the business employs significant efforts and resources to educate employees on stewardship. Some examples are listed in the next section.

Appropriately resourced

In line with our purpose and as a responsible investor, we are investing in training and education for our employees, both within Coutts Asset Management and the wider bank.

- All Coutts colleagues are required to undertake yearly training on Responsible Investing, which takes the form of online training, in 2022 over 1,800 colleagues completed this training.
- The Responsible Investing team regularly present at a wide range of internal forums on either topical events or investment decisions. These forums range from weekly investment calls to pan-bank meetings.
- We support every member of our Asset Management team who wish to obtain their CFA UK ESG qualification.
- We provide two dedicated days for 'learning for the future' for all employees, which can be used to further employee education on ESG matters.
- Sustainability is embedded within our internal leadership programmes.
- To re-baseline climate awareness and catalyse action across NatWest Group, driving further engagement and advocacy, this year NatWest Group launched the Climate Change Fundamentals to 64,611[8] colleagues. Comprised of six bitesize digital modules featuring micro lectures from the University of Edinburgh Centre for Business, Climate Change and Sustainability (UoE B-CCaS), NatWest Group and industry experts, the content was designed to help colleagues connect climate change to their role, understand the potential impacts and the positive actions they can take both personally and professionally.

Example – Climate change training

In April 2022, NatWest Group announced a three-year partnership with the University of Edinburgh, investing £1.5 million to make climate education available to all NatWest Group colleagues. This builds on our earlier successful collaboration with the University of Edinburgh Centre for Business, Climate Change and Sustainability (UoE B-CCaS) and seeks to support the evolution and growth of existing programmes. The renewed collaboration will deliver new awareness education to all colleagues across NatWest Group, as well as specialist learning to more than 16,000 people by the end of 2024.

2022 Progress Example – Responsible Investing Resourcing

In 2022 we expanded our ESG capabilities by giving the Investment Strategy team additional dedicated resources to better support the implementation of our ESG strategy in our investment process. The role of the Responsible Investing Strategist (who sits within Investment Strategy) is to translate the ESG priorities and commitments into practical frameworks that allow us to track progress and identify focus areas. For example, the Responsible Investing team worked with the Investment Strategy team to translate our interim net zero strategy and ambitions[9] into a net zero assessment to score all funds on our buy list, based on their progress against net zero. This also formed the basis of our Coutts Net Zero Investment Framework (CNZIF), for which we use milestones identified in our net zero assessment which helps drive our engagement with third-party fund managers.

We also increased our dedicated resources in the Responsible Investing team to enhance our reporting, risk and research capabilities.

The importance of stewardship is highlighted in all of the above initiatives, and we believe these have led to improved confidence of our advisers when talking about ESG with clients, and increased our workforce's awareness of the importance of ESG and stewardship.

Our dedicated Responsible Investing team

The Coutts Responsible Investing team is dedicated to seeking to integrate of ESG and stewardship in our end-to-end investment decision-making process. The team works across Asset Management, Coutts and NatWest Group to set and implement our ESG strategy by focusing on the following areas:

- ESG Strategy and Research
- Business Risk and Regulations
- Stewardship (incl. Collaborative Engagement)
- Education, Marketing and Communication
- ESG Reporting

The Responsible Investing team, which consists of seven specialists, has, on average, five years of experience in the ESG/CSR space (ranging from 1 to 11 years) and is composed of 71% women. 86% of the team have completed at least one ESG/sustainability-related qualification[10&11], 26% have completed, or is currently in the process of completing, an ESG/sustainability-related Masters Degree and every member of the team has completed the Climate Change Transformation Programme which is part of our partnership with the University of Edinburgh.

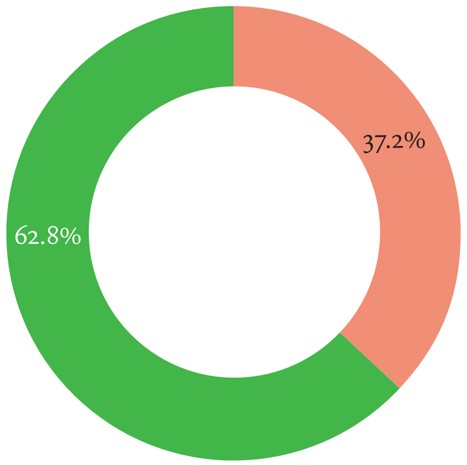
8. Includes some types of contingent workers
9. NZAM Initial Target Disclosure Report May 2022 (pages 38-39)
10. Qualifications include: CFA UK ESG and CFA UK Climate and Investing
11. Sustainability Leadership Programme Cambridge Institute for Sustainability Leadership (CISL)

Diversity

As a part of NatWest Group, a purpose-led organisation we need to reflect the communities we serve. That's why we have targets for gender and ethnicity. Our aim is to have a full gender balance in our CEO-3 and above global roles by 2030 and 14% of roles at CEO-4 and above to be held by ethnically diverse colleagues by 2025. The latest data demonstrates our progress towards both targets over the last four years: Females within the top three levels of the organisation have increased from 25% to 37.2% and ethnically diverse colleagues in the top four levels of the organisation have increased from 7% to 13.1%[12]. Both aims remain a top priority on the people agenda, as we build a fully inclusive organisation.

NatWest Group also has a target to have Black colleagues occupying 3% of CEO-5 and above UK roles by 2025. This is not measured at an individual business level. At 31 December 2022, NatWest Group had 1.5% of colleagues who identify as Black in CEO-5 and above UK roles, which remains consistent from 2021. Overall, of those who disclose their ethnicity, 2.8% of NatWest Group colleagues in the UK identify as Black.

We're confident that our Diversity, Ethnicity and Inclusion plans are the right ones to build inclusion throughout our organisation and we continue to iterate how we do that – for example, by the recent introduction of Partner Leave for fathers and non-birthing parents. Although our inclusion index exceeds the industry average we won't be satisfied until everyone can bring their whole self to work. We want to give everyone who works here, the chance to succeed and the support to thrive. And until that's everyone's lived experience, we'll work to make it a reality.



CEO-3 (Women)	37.2%
CEO-3 (Men)	62.8%

Ethnicity Advisory Council

In 2021 NatWest Group re-launched their Ethnicity Advisory Council, tasked with guiding and supporting us on our ethnicity and inclusion strategy. Made up of diversity and inclusion leaders and specialists from across different industries including journalism, business and education, the Council members will draw on their expertise and experience to provide critical challenge, guidance, and direction on our inclusion plans, specifically around ethnicity.

Example – Supporting education around money

We have, through NatWest Group, joined forces with Marcus Rashford MBE and the National Youth Agency to launch the Thrive Programme - a new programme being trialled at youth community centres across England to help address the lack of financial confidence and concerns that young people face today.

With 67% of young people worrying about money, and only 8% of financial education coming from the classroom1, NatWest Group, Marcus Rashford and the National Youth Agency have collaborated to create a programme that offers some much-needed support and guidance for young people to develop a positive mindset around money and help champion their potential.

The new programme is being launched as a pilot across three youth community centres in Manchester, London and Sunderland, with plans to scale in time, the Norbrook Youth Club in Wythenshawe, which he attended growing up and continues to support, to discuss and further refine the programme with NatWest Group the National Youth Agency.

Led by inspirational youth workers, the content of the programme has been tailored to make the financial messages and guidance practical and relevant, suiting the learning-styles of different young people, promoting discussion with real-life examples.

Some of the topics covered in the programme will include:

- Money Mindset: Developing an awareness of young peoples' own beliefs about money, and the potential for mindsets to limit actions that could improve financial wellbeing.
- Money Talks: Busting myths when talking about money and outlining ways to have conversations about money in close relationships.
- Own Your Vision: Setting goals for life achievements and effectively planning age-appropriate ways to reach them.

In partnership with the National Youth Agency - the professional, statutory and regulatory body for youth work in England who sets and validates the national standards for youth work qualifications - the programme will equip youth workers with a series of workshops and activities designed to speak to young people on their terms and in a way that they can relate to.

Performance management and reward programmes

The incorporation of responsible investment, which includes proper stewardship, forms part of the performance objectives of all Coutts Asset Management employees. All Asset Management employees have the objective to contribute towards enhancing responsible investment outcomes within our end to end investment process and documenting through Continuing Professional Development (CPD) hours being logged that relate to the topic.

Moreover, our Executive Committee's remuneration policy is directly linked to the achievement of our purpose, which Responsible Investing contributes towards. For all bonus eligible employees the annual bonus pool is based on a balanced scorecard of measures, including climate at the level of each business area or function[13].

12. Employment statistics presented represent the entirety of the Private Banking business segment within NatWest Group and not just Coutts & Co as a standalone entity and reflect the position at 31 December 2022
13. Coutts & Co. 2022 Pillar 3 Report

Example (EOS) DBS – investing sustainably in palm oil – published February 2022

EOS' engagement with DBS, a Singaporean multinational banking and financial services firm, on executive pay dates back to 2011. EOS began engaging with DBS on palm oil financing in 2019 in March, urging DBS demonstrate that its palm oil lending criteria are updated to meet the latest Roundtable on Sustainable Palm Oil (RSPO) standards. DBS acknowledged its awareness of the latest RSPO standard and confirmed its new borrowers were asked to demonstrate alignment with no deforestation, no planting on peat and no worker or community exploitation ('NDPE' commitments) or equivalent. DBS was also supporting companies that undertake good ESG practices, including those complying with existing national and international certification standards.

As of February 2020, DBS's palm oil lending policy had not changed but the head of sustainability confirmed DBS was committed to working with existing customers who refinance their existing loans on achieving RSPO certification. Discussions continued and in March 2021, DBS raised its ESG standards for the palm oil sector, requiring all customers to comply with the NDPE commitment. DBS now encourages customers to apply NDPE policy throughout the supply chain. Besides NDPE commitments, DBS also accepts RSPO certification as demonstration of good industry practices. Customers are requested to achieve full RSPO certification via a time-bound action plan that is communicated to DBS.

DBS also pledges not to knowingly finance companies that are involved in conversion of high conservation value and high carbon stock forests, planting palm oil on peat, or planting palm oil without securing both the legal right and community support to use all the land involved. EOS has said it will monitor DBS' progress in implementing the sustainable palm oil policy for all its lending relationships.

USE OF SERVICE PROVIDERS

Engagement and Proxy Voting

Stewardship in our Coutts fund range is provided by EOS at Federated Hermes (EOS). EOS provide Coutts with voting recommendations based on our voting policy[14] and engage on our behalf with the underlying holdings. EOS' voting recommendations are reviewed by the Responsible Investing team to ensure these are in line with our views and our own engagement activity. In most cases votes will be cast in line with the recommendations put forward by EOS. However, there have been a limited number of instances where we have decided that it was in the best interest of our clients to vote against the proposed recommendations. When this happens, we record the rationale internally and votes cast accordingly.

Coutts uses the Proxy Exchange platform (provided by ISS) to receive voting recommendations from EOS, to monitor voting activity and, in selected cases, to amend voting recommendations.

External Research and Data Providers

The Responsible Investing team sources data from external data providers including carbon emissions data, exposure to certain activities and other ESG-related information. We currently do not rely on externally collated ESG scores but rather use the underlying ESG datapoints to support our proprietary analysis and scoring.

For our security selection we draw on data from MSCI, to obtain inputs on a range of ESG metrics. We also use Morningstar's data for external investment funds that are used in our multi-asset portfolios, with the goal of helping us assess ESG risks and opportunities. Morningstar uses Sustainalytics data to aggregate ESG metrics for funds.

We use both Morningstar and MSCI to monitor the weighted average carbon intensity of our fund holdings. To publicly report on the reduction in the weighted average carbon intensity of our funds and portfolios for 2022 we used Morningstar to gather carbon intensity data for our underlying fund holdings. More information is available in our 2022 Basis of Reporting[15].

Example – Using ESG exposure data to inform our engagement with fund managers

As part of our annual review process and ongoing engagement with fund managers we can draw on data from our data providers to help set our engagement priorities with fund managers. For example, as part of the preparation process we may look at the fund's exposure to activities that are covered in our exclusions policy to assess the fund's alignment to our approach. Where we identify such exposures we may request specific investment rationale and/or examples of the fund manager's engagement with the company that supports their investment rationale.

The use of ESG data to support our engagement activity illustrates how there is a direct feedback loop between our ESG data and our investment activity.

In addition to ESG data sourced from data providers the Responsible Investing team is also informed by publicly available data, reports and frameworks. Examples of this include:

- Information provided directly by fund managers, for example on their voting policy and activities, their net zero commitments or the prioritisation of their engagement resources.
- Other publicly available reports published by fund managers.
- Frameworks and best practice papers produced by industry initiatives, such as the IIGCC, NZAM and SBTi.
- Scientific publications, for example on climate scenario analysis.

Limitations

While stewardship is integral to our approach to Responsible Investing, our limited exposure to direct equity limits our ability to directly exercise our stewardship rights. However, in 2020 we entered into a relationship with Blackrock that helped us deliver our Coutts fund range. This fund range is managed by BlackRock but follows Coutts own policy on ESG integration, exclusions and stewardship. On these funds, voting and engagement is done in line with our policies. Where we invest through other third-party funds, we expect them to exercise their stewardship duties to a similar standard as we would if we were in control of the assets. As mentioned in Principle 7, we have a rigorous due diligence process to identify funds that align with our responsible investment principles, and we engage with the managers of the funds we invest in to ensure proper stewardship.

Furthermore, we recognise that there are limitations to the influence we have with our government bond holdings. We are working to improve our capabilities by working internally within the NatWest Group and externally through initiatives such as the PRI and IIGCC who do engage on government policy. We are also continuing our work of engagement with bond issuers and bond fund providers. Please also refer to the Cautionary Notes on Climate Data, sections 5.7 and 5.8 of the 2022 NatWest Group Climate-Related Disclosures Report.

Investment Platform

We have embedded certain metrics that help us track the delivery of our ESG-related targets into our portfolio management systems. For example, fund-level weighted average carbon intensity and our proprietary portfolio alignment score are fed into our systems and through our regular internal reporting to enable better monitoring of progress against our targets and to allow us to incorporate these datapoints into our investment process.

To continue to build on our existing infrastructure we are exploring different ways of displaying our climate metrics in our product suite and throughout our overall AuM in 2023.

14. Coutts Voting Policy
15. Coutts 2022 Basis of Reporting: Carbon Intensity

PRINCIPLE 3

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

Coutts-wide policy

Coutts conducts its business according to the principle that it must manage conflicts of interest fairly and effectively, both between itself and its clients and between one client and another. The protection of our clients' interests is our first concern and Coutts maintains and operates effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflicts of interest.

A conflict of interest may arise as a result of Coutts owing duties and obligations to one or more clients and where Coutts has financial or other interests in the outcome from providing services or executing transactions. More specifically, conflicts of interests may arise when:

- The interests of one client are, or may be, contrary to the interests of another client
- The interest of Coutts and/or NatWest Group, or a company connected to it, is different from its clients' interest
- Coutts and/or NatWest Group influences the outcome of certain transactions in a way which may result in it favouring one client's interests over those of another

Our Conflicts of Interest Policy and relevant operational frameworks for the identification and management of conflicts of interest are in place in order to safeguard our clients' interests and set out the principles observed by Coutts to this effect. Our Conflicts of Interest Policy is reviewed regularly to assess whether we are continuing to take appropriate steps to manage conflicts that may have an adverse effect on clients. Senior management is involved in the escalation, clearance and management of the conflicts identified, setting out the appropriate conditions for their management as required.

A summary of our Conflicts of Interest policy is available on our website and the full policy will be made available on request.

Stewardship conflicts of interest

Our principal objective when considering how to vote or whether to engage with a company is to act in the interests of all our clients. The table to the right outlines potential conflicts of interest and how they are managed.

CONFLICT SITUATION	EXAMPLE	HOW WE MANAGE THE CONFLICT
Individuals on the board of a company that we engage with or vote on have a private or commercial relationship with Coutts/NatWest Group. Because we apply judgement in our voting activities (to permit us to override voting recommendations given by EOS in accordance with our Responsible Ownership Principles), there is a risk that conflicts of interests could influence these activities.	Where a client serves on the board of a company we hold, and we intend to vote against their directorship or against management we may come under pressure to change this decision.	Where this conflict of interest arises, we will report it to Investment Committee. If we believe the issue warrants further deliberation, we will escalate the conflict to Private Banking Risk Committee.
Our employees or clients may have personal relationships with the companies we are engaging with or voting on. Because we apply judgement in our voting activities (to permit us to override voting recommendations given by EOS in accordance with our Responsible Ownership Principles given by EOS), there is a risk that conflicts of interests could influence these activities.	A member of our Investment Committee may have an outside relationship with a board of directors for a company we hold.	All employees must declare and seek approval for outside interests, including board/ trustee roles. All employees must seek approval for Personal Account Dealing. All employees complete NatWest Group Policy Learning modules which cover conflicts of interest Where this conflict of interest arises, we will report it to Investment Committee. If we believe the issue warrants further deliberation, we will escalate the conflict to Private Banking Risk Committee.
Our engagement, voting or policy work may be in conflict with our parent group, NatWest Group, which seeks to influence our process.	We may be asked to alter our vote for a director who is close to our parent company or desist from policy work that could impact our parent company.	Where this conflict of interest arises, we will report it to Investment Committee. If we believe the issue warrants further deliberation, we will escalate the conflict to Private Banking Executive Committee.

Coutts does not invest directly in its parent company, NatWest Group plc. However, when investing in third-party funds, there may be indirect exposure.

Stewardship provider conflicts of interest policy

EOS conflicts are maintained in a group conflicts of interest policy[16] and conflicts of interest register. As part of the policy, employees report any potential conflicts to the compliance team to be assessed and, when necessary, the register is updated. The conflicts of interest register is reviewed by senior management on a regular basis.

Our Responsible Ownership Principles frame voting recommendations given by EOS at Federated Hermes. While this framework provides rigour to voting decisions, we are aware that conflicts of interest may arise.

In their Stewardship conflicts of interest policy (April 2021)[16] EOS gives the following real or perceived examples of conflicts that may arise:

- EOS may engage with or vote on the shares of a company which is the sponsor of one of their pension fund clients – such as BT plc – or is a company within the same group as one of their clients or prospects
- EOS may engage with a government or government body which is the sponsor or associate of the sponsor of one of their clients or prospects
- EOS may engage with a company which is a tenant of their Real Estate division's property investments.
- EOS may engage with a company which has a strong commercial relationship, including as a service provider, with the international business and/or with clients or prospects
- EOS may vote on a corporate transaction, the outcome of which would benefit one client or prospect more than another
- EOS may engage with a company in which certain clients or prospects are equity holders and others are bond holders
- EOS may hold meetings with companies for the dual purpose of delivering both their fund management and engagement services
- EOS may otherwise act on behalf of clients who have differing interests in the outcome of their activities.

Example (EOS) – Engagement at a company where client's chair is a non-executive director:

EOS recognised the particular sensitivities for both the client and company when a significant client's chair also sat on the board of a public company which needed a highly active engagement. EOS were open and direct with the client and the company, flagging the issue but also making clear that the situation could not influence their work on behalf of all clients. This engagement included recommending voting against board sponsored resolutions at the company's AGM and asking directly for significant change to the board and to governance practice – EOS Stewardship Conflict of Interest policy 2020.

Though EOS seek to declare conflicts of interest, if Coutts believes it should override the recommendations of EOS at Federated Hermes, then we will step back from any conflicted engagement and document the decision and rationale.

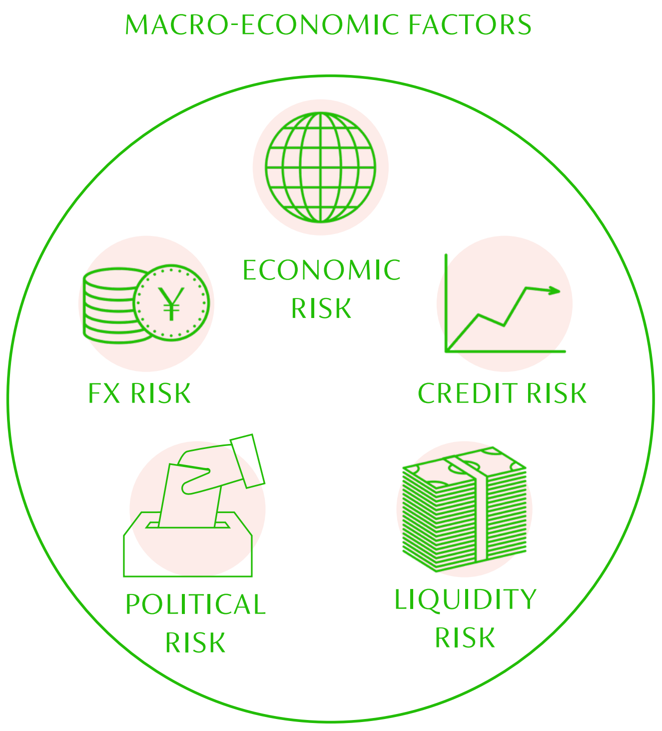
Training

All colleagues are required to follow NatWest Group policies relating to Handling Confidential and Inside Information and Market Abuse, and mandatory training on Personal Conflicts of Interest and Personal Account Dealing is made available for all employees to make sure they are aware of these policies.

16. EOS: Stewardship Conflicts of Interest Policy

PRINCIPLE 4

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



Identifying market risks and systemic risks

As an asset manager our primary objective is to manage financial risks and returns. As mentioned in Principle 1, we consider macroeconomic factors when assessing risk, as we believe this is a key driver of returns in the long term. We also believe that it is important to incorporate a wider range of environmental, social and governance factors.

Our approach to investment risk management

The objective of our risk framework is to provide an environment to deliver steady, risk-controlled investment returns. The framework guards clients' long-term strategic investment objective while carefully monitoring the short-term tactical asset allocations. It ensures that we steer our portfolios under all type of market environments, especially during market turmoil. The robustness of our risk framework is constantly tested and reviewed.

Our in-house risk budget model outlines controlled boundaries based on clients' risk profiles, and highlights any issues relating to outperformance or underperformance, which may indicate that we're taking too much or too little risk. It uses limits such as asset class bands, volatility bands and tracking error bands. As detailed below we employ a number of qualitative and quantitative models, such as stress testing models and factor analysis models, to diagnose risk exposures of our portfolios.

We use historic and forward-looking stress testing as a tool to explore specific situations and events:

- We use a variety of measures that in the past have been reliable guides to the future, known as leading indicators.
- We assess the probability of various scenarios and use the estimated portfolios' outcomes to guide asset allocation.
- We also stress test portfolios to see how they would react to events that are less likely to happen.

In addition to this, factor exposure analysis forms an important part of our investment process. We use both macroeconomic factors and style factors (such as measures of value, momentum, and volatility). We believe this combination provides an additional way to assess investment return opportunities, which complement our traditional asset class views. It also helps us identify any excessive risk factor exposures, and indicates the estimated performance during historical and simulated environments, which gives us an extra layer of comfort for any known risk, such as economic risk, credit risk, liquidity risk, FX risk and political risk among others.

We consider the following macroeconomic factors to assess the extent to which portfolios are exposed to factors such as economic growth, real rates and inflation, credit, emerging markets, commodities, liquidity, foreign exchange rates, etc. We then identify how the performance of each asset class is exposed to these factors. For example:

- Equity markets are driven largely by conditions in the underlying economy
- Developed market government bonds are influenced by real rates and inflation
- High yield bonds are exposed to broader conditions in credit markets.

We make asset allocation views following our assessment of both macroeconomic and style factors. For example, if our analysis indicates a healthy economic outlook then we would increase our exposure to equities.

Another important part of our risk framework is the performance trigger mechanism: it acts as a "circuit breaker", which aims to protect our portfolios from shocks. The mechanism operates at three layers, which are at portfolio level, asset class level and individual stocks/fund level. It provides further security on any type of new risk emerging in the market, which are unforeseen or unprecedented, whether it is a Macro economic impact, such as COVID-19 or a micro impact, such as a sharp drop in a single fund/stocks.

In addition to more traditional risk measures we recognise that climate change is likely to have an impact on the long-term value of investments that we manage on behalf of our clients. Therefore, we are working to identify potential opportunities and risks, which include physical and transitional risks affecting both Coutts as an asset manager and the assets that we manage. Moreover, we want to understand how best to integrate climate-related concerns into our business and investment decision-making. While climate change is a material financial risk, other, more traditional macroeconomic risks may still dominate in financial terms. Our approach to identifying and managing climate-related risks and opportunities is detailed in our NatWest Group 2022 Climate-Related Disclosures Report[17], which is publicly available on our website.

Our risk framework is designed to enable effective identification and management of risks, whether these risks are systemic or idiosyncratic, and we are comfortable in our ability to identify the majority of risks when they arise. However, when it comes to the identification of systemic risks relating to ESG, it is more difficult to obtain reliable, consistent data.

The lack of common methodologies around assessing ESG factors can at times impede the inclusion of ESG-related systemic risks into our risk framework. We have identified this as a development area and are in the process of strengthening our access to ESG data to better enable the incorporation of ESG-related risks into our risk framework.

Example – Market Outlook

The current global energy crisis has highlighted a continued dependency on fossil fuel-rich nations. To help reduce this dependency, countries might turn to cleaner energy alternatives, creating an encouraging policy environment. By hopefully accelerating the growth in renewables, this could create incentives for energy majors that rely on fossil fuels to diversify into cleaner energy sources.

And as for energy companies already working to align with the Paris Agreement, we're encouraging them through engagement to speed up their transition into renewable energy.

We expect the global energy mix to be set for a shake-up in the next decade. Climate-minded investors that previously steered clear from fossil fuels could find opportunities to usher fossil fuel companies into playing a big role in speeding up the transition to net zero.

The energy industry, however, is just one example of how investors can drive and benefit from change simultaneously, by supporting the disrupters while nudging those that are lagging to transition and diversify to greener strategies.

17. NatWest Group 2022 Climate-Related Disclosures Report

ESG Integration

We take a pragmatic approach to applying our responsible investment principles. We accept that those principles may at times have to be adapted to the local financial and legal environment, and the commercial imperatives a particular company may face. However, we always expect the companies in which we invest to comply with the legal and regulatory regimes that apply to them.

ESG factors are integrated into our decision making for all asset classes. We believe in a risk-based approach to setting priorities at both a strategic and fund level. When investing directly in equities, we assess ESG risks and opportunities as they relate to overall corporate performance and we look to identify and mitigate ESG factors that do, or could impact long-term financial performance. ESG risks are monitored throughout the life of the investment.

We encourage responsible behaviour through voting and engagement in the companies where we exercise control. In a typical balanced portfolio, we vote and engage directly on approximately 50% of holdings. We believe that engagement is an effective way in which shareholders can best effect positive change and enhance long-term financial performance. We identify engagement focus areas (available on coutts.com) through a detailed review of our holdings in order to prioritise key ESG issues using a risk-based approach, including relative risk and size of holding.

Direct engagement is done privately (with support from EOS at Federated Hermes) as we believe this is more effective than public engagement. Accordingly, we do not typically disclose the names of companies with which we have engaged but will report on overall progress in articles published on coutts.com. We also make a number of case studies available upon request.

Funds managed by third parties make up a significant proportion of our client portfolios. When selecting funds, we undertake due diligence and assess the performance of each manager, which includes an assessment of their approach to Responsible Investing and stewardship. We receive regular reports from the asset managers and monitor progress. When investing in third-party funds, we delegate the day-to-day environmental, social and governance activities to our managers. Third-party fund managers vote at their discretion and, when exercising their vote, are encouraged to take into account the principles of good corporate governance.

We encourage our managers to have due regard to the UK Corporate Governance Code and the UK Stewardship Code. We acknowledge that implementation of Responsible Investing practices will take time and perseverance. We are committed to continually improving our investment processes that underpin our approach to ESG integration and stewardship.

Aligning with NatWest Group's Climate-related risk management

In addition to integrating ESG into our investment process we work to identify, manage and mitigate risks arising from climate change within our funds and portfolios. As the Investment Centre of Excellence for NatWest Group, we follow guidance on climate risk management in line with NatWest Group, therefore our definition of climate risk is aligned.

NatWest Group defines climate risk as the risk of financial loss or adverse non-financial impacts associated with climate change and the political, economic, and environmental responses to it.

During 2022, NatWest Group reviewed and refreshed their assessment of the relative significance of climate risk on other principal risks. This assessment combined expert judgement, scenario analysis, granular climate data and an improved understanding of evolving regulatory guidance. By doing this, our assessment was able to better understand the current and potential impact of physical and transition climate-related risk as a causal factor to other principal risks.

NatWest Group identifies climate-related risks through three assessment channels:

- Undertaking scenario analysis to understand the potential impacts of climate-related risks.
- Identifying segments of our portfolio and operations with heightened climate-related risk exposure. In 2022 we established an increasingly quantitative methodology for the identification and assessment of heightened climate-related risk sectors and subsectors.
- Assessing individual customer and supplier climate-related risk exposure.

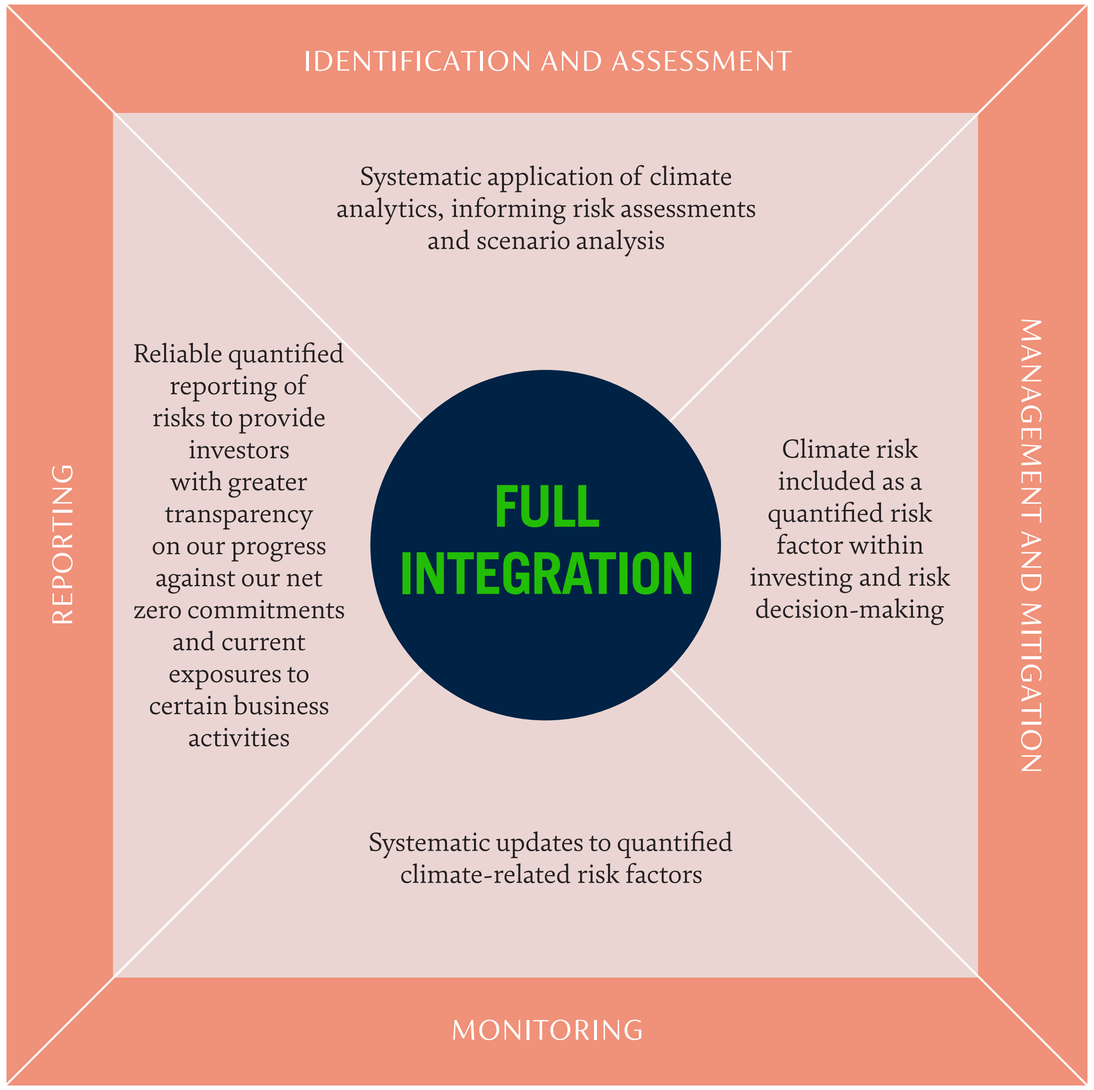
To further support how and where we apply these assessments, NatWest Group consistently monitors existing and emerging regulatory requirements related to climate change.

Climate risk was first included as a principal risk in our risk directory in early 2021, and we continue to work on integrating climate-related risk within our Asset Management risk management processes.

Aligning with NatWest Group's Climate-related risk management

Examples of how we integrate climate risk into our investment process are included throughout this report and include:

- Our interim targets apply to 89% of our total AuM, including all core funds and discretionary portfolios
- All funds held in our core funds and discretionary portfolios (PPF, CMAF and DPS) are assessed using our Coutts net zero Investment Framework (CNZIF), feeding into our Portfolio Alignment metric.



You can read more at NatWest Group 2022 Climate-Related Disclosure Report

2022 Progress Example

Coutts Asset Management fed into NatWest Group's work on strengthening the resilience of their strategy, taking into consideration different climate-related scenarios, including a Greenwashing scenario.

Example – Net Zero Alignment

We identify climate change as a key risk within our investment process, and we consider this as both a topic for engagement and a decision-factor when making asset allocation changes. We further strengthened that commitment when we joined the net zero Asset Managers Initiative (NZAM). Through joining NZAM it signals that we recognise climate change as a clear and significant risk that we want to address through market and investor collaboration and engagement. In our membership we commit to support global efforts to limit global warming to 1.5c Celsius and net zero by 2050 or sooner. We will demonstrate this by publishing our net zero strategy which outlines our short (2025), medium (2030) and long term (2050) goals to ensure that we are on the right trajectory.

Through EOS at Federated Hermes climate change is an engagement priority and we will engage with the companies in which we invest, to ensure they are setting corporate net zero strategies as well as supporting effective policy making that is aligned to the goals of the Paris Agreement.

Aligning our AuM with Net Zero

As most of our investments are in funds, we assess the alignment to a net zero trajectory on a fund level. As part of our fund due diligence and review process we will assess funds based on the presence and robustness of their net zero strategy.

This is important because, while a net zero target reflects a company/fund's end goal of reaching net zero emissions by 2050, it does not guarantee alignment with the Paris Agreement. Therefore, it is crucial that a net zero target is accompanied by a strategy that demonstrates that the company/fund is on a credible 'net zero trajectory' and reducing its emissions sufficiently and in a timely manner to keep the 1.5C limit within reach.

Our assessment, which is based on the assessment criteria set out by the Paris Aligned Investment Initiative's net zero Investment Framework and adapted to fit within our investment context (i.e. investing through third-party fund managers) should help us align with net zero and strengthen our approach to climate risk while remaining globally diversified and exposed to a wide range of sectors. The illustration to the right sets out the criteria we use to assess alignment with net zero.

We will consider a fund to be on a net zero trajectory if it credibly meets the criteria of sections 3, 4 or 5:

1. NOT ALIGNED

2. COMMITTED TO ALIGNING

Ambition: A long term 2050 goal consistent with achieving global net zero.

3. ALIGNING TOWARDS A NET ZERO PATHWAY

Ambition: A long term 2050 goal consistent with achieving global net zero.

Targets: Short and medium-term emissions reduction targets.

Disclosures of emissions.

Decarbonisation strategy: Plan setting out how emission reductions will be achieved.

4. ALIGNED TO A NET ZERO PATHWAY

Ambition: A long term 2050 goal consistent with achieving global net zero.

Targets: Short and medium-term emissions reduction targets.

Disclosures of emissions.

Decarbonisation strategy: Plan setting out how emission reductions will be achieved.

Progress against decarbonisation targets.

Capital Allocation alignment: Show how company capex is consistent with global net zero emissions by 2050.

5. ACHIEVING NET ZERO

Company/fund that is already achieving the emissions intensity required by the sector and regional pathway for 2050 and whose ongoing investment plan or business model will maintain this performance.

Working with stakeholders and industry initiatives

Coutts takes part in the following industry initiatives:

- As a PRI signatory we take part in a number of initiatives, including roundtables, information sessions and working groups, where relevant. We have previously attended PRI-led roundtables and will join those discussion that we believe are related to our investment activities.
- As a member of Climate Action 100+, we form part of an investor-led initiative to ensure the world's biggest emitters are taking action. Climate Action 100+ is supported by 700+ investors representing $68 trillion in assets and targeting 80% of global industrial emissions.
- As a member of the net zero Asset Managers Initiative, we join a group of 315 signatories representing over $59 trillion in AuM and demonstrate our support of the goal to reach net zero greenhouse gas emissions by 2050 or sooner.
- As a member of the Institutional Investors Group on Climate Change (IIGCC) we have attended working groups, joined regulatory policy briefing calls and provided commentary on policy and corporate programmes.
- As members of IA and PIMFA we engage with these bodies in areas where there is a potential impact on us as a bank and our portfolios/funds. We contribute to responses to consultations where relevant, attend discussion groups and other events, and provide representatives on some working groups. For our funds we also engage with IA's sister organisation, Irish Funds, that covers all funds domiciled in Ireland.

As a part of the wider NatWest Group, we are involved in the following industry initiatives:

- NatWest Group is one of the Founding Signatories of the Principles for Responsible Banking, committing to strategically align its business with the Sustainable Development Goals and the Paris Agreement on Climate Change. The Principles for Responsible Banking provide the framework for a sustainable banking system that responds to and drives today's expanding global sustainable development economy, and guide the banking industry to align itself with society's goals as expressed in the Sustainable Development Goals and the Paris Agreement.
- NatWest Group is the first major UK bank to sign up to the Partnership for Carbon Accounting Financials (PCAF). PCAF is a collaboration between financial institutions worldwide to enable harmonised assessments and disclosures of greenhouse gas emissions financed by loans and investments. PCAF promotes the well-functioning of markets by facilitating collaboration between financial institutions worldwide to enable harmonised assessments and disclosures of GHG emissions financed by loans and investments. Improved disclosure and collaboration enable us to better identify and respond to systemic risks related to climate change.
- NatWest Group joined the Powering Past Coal Alliance. As part of the alliance, we will plan a phase out of coal for UK and non-UK customers who have UK coal production, coal fired generation and coal related infrastructure by 1 October 2024 and plan a full phase out of coal by 1 January 2030.
- NatWest Group are a member of the UN Global Compact signaling their support for sustainable business practices. The UNGC is supported by 15,000 companies across 160 countries.
- Both Coutts and NatWest Group are members of the Sustainable Markets Initiative with the vision to accelerate global progress towards a sustainable future. At COP 26 NatWest Group hosted HRH The Prince of Wales' Sustainable Markets Initiative Terra Carta Action Forum, which brought together partners, customers and charity leaders to examine the barriers that tackling climate change bring to SMEs.

Our stewardship provider EOS regularly engages with a wide range of stakeholders on behalf of its clients. This includes government authorities, trade bodies, unions, investors, and NGOs, to best identify and respond to market-wide and systemic risks. At times they will also collaborate with other investors in pursuit of improved outcomes.

EOS are members of the following industry initiatives:

- Climate Action 100+
- Principles for Responsible Investment: founding member and chair of the drafting committee that created the PRI in 2006
- Asian Corporate Governance Association
- Canadian Coalition for Good governance
- CDP
- Investors for Opioid and Pharmaceutical Accountability
- Investor Alliance for Human Rights
- Investor Initiative on Mining and tailings Safety
- International Corporate Governance Network (ICGN)
- The Institutional Investors Group on Climate Change
- UN Guiding Principles Reporting Framework
- US Council of Institutional Investors (CII)
- 30% Club.

Example (EOS) – Occidental Petroleum

In 2018, EOS asked Occidental Petroleum to set emissions reduction targets, including methane targets, as part of feedback to the company's first climate change report. EOS questioned how climate change was factored into the acquisition of Anadarko Petroleum and the company's growth mindset at a time when we may be reaching peak oil demand. The subsequent pandemic and $9bn write down elevated our concerns about the company's preparedness for lower oil demand. In 2019, the company established initial Scope 1 and 2 emissions targets. In 2020, it became the first US oil and gas company to announce net zero targets, including methane targets, covering its entire business footprint, including Scope 3.

Key to the net zero targets is the development of carbon capture utilisation and storage (CCUS) technologies, which offset approximately 20mn tons annually while expanding capacity for more. Following this announcement, EOS sought clarity on risks and uncertainties associated with CCUS, which is critical for the low-carbon transition, but not a substitute for phasing out fossil fuels. The company emphasised its 50-year track record of CCUS and accounted for the added sustainability benefits when evaluating the economics. Additionally, the company established additional short (2024) and medium (2032) term targets, endorsed the Oil and Gas Methane Partnership 2.0, commissioned independent limited assurance verification for Scope 1 and 2 emissions, and published climate public policy positions. EOS will continue to engage the company, focusing on risks and uncertainties associated with CCUS.

Managing third-party risks

Where we invest in third-party funds, rather than through our own Coutts funds, we aim to understand their exposure to material ESG-related risks, as well as how they take advantage of arising opportunities.

Before a third-party fund can be considered for inclusion within our portfolios it is assessed via a robust, in-depth investment due diligence process, carried out by our Coutts' Investment Strategy team. Our extensive process covers eight key areas, including Investment Process and Philosophy, Risk Management, Investment Team, Performance and Responsible Investing. All factors are assessed individually and contribute to an overall internal score that allows us to determine if a fund meets our requirements for investment.

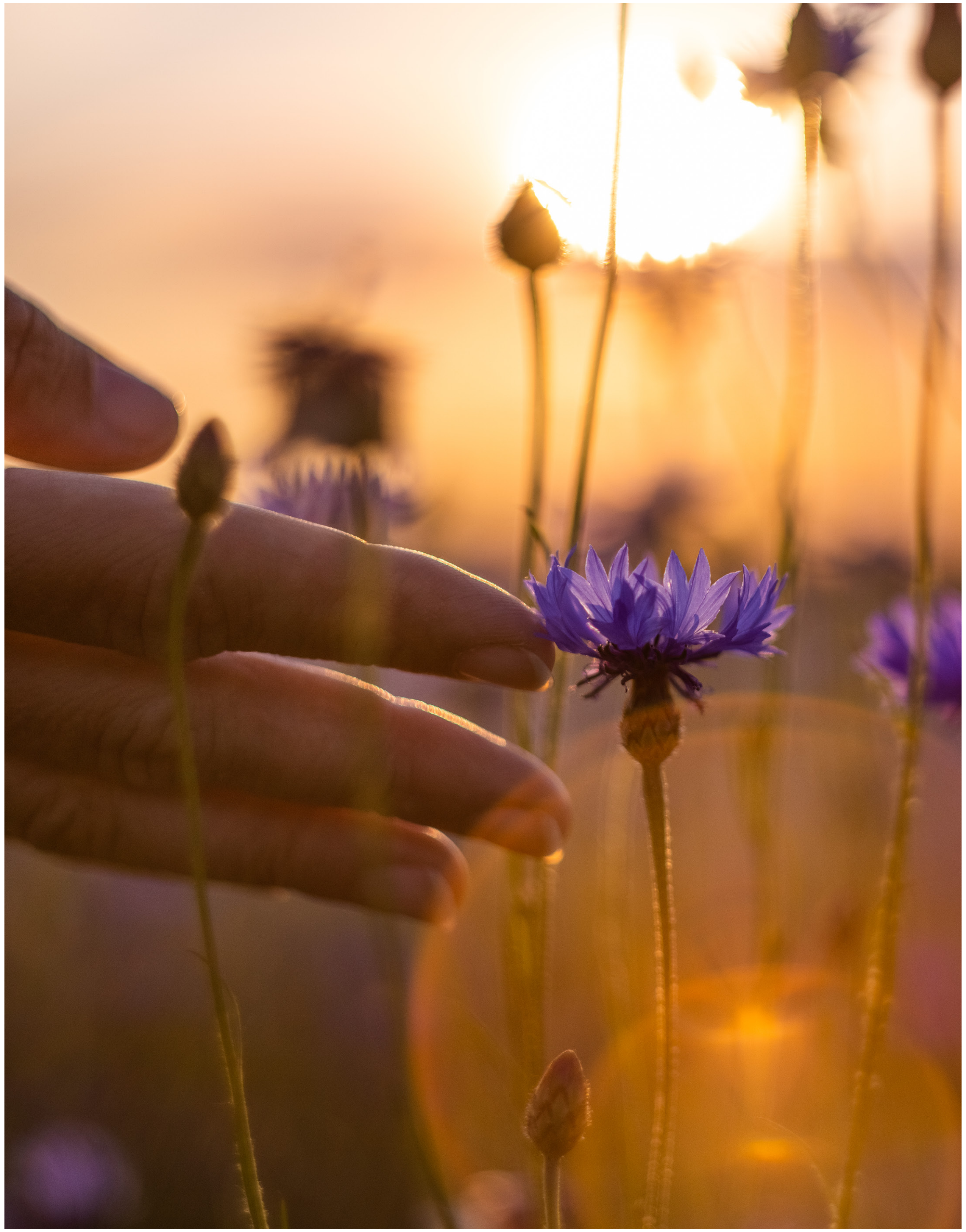
Since 2016, Responsible Investing is one of the key factors assessed by our due diligence. As part of our continued commitment to Responsible Investing, we have developed our own proprietary Responsible Investing Questionnaire, separate from our Investment Due Diligence Questionnaire, to reflect the importance of ESG considerations. All fund managers are required to complete our Responsible Investing Questionnaire, which forms the basis of our engagement with them throughout our investment in their fund.

Our framework encompasses areas such as:

- Firm level Responsible Investing Policy and ESG commitments
- Degree of alignment with international treaties on environment and climate change such as the Paris Agreement
- Degree of alignment with UN 2030 Agenda for Sustainable Development and UN Sustainable Development Goals (SDGs)
- Firm Governance and Diversity
- Integration of ESG factors into the Investment Process
- Portfolio Carbon Intensity and Carbon Reduction Targets
- Exposures to severe controversies including UN Global Compact Violations and mitigating actions associated with this exposure
- Alignment to our ESG Exclusions Policy
- Responsible Ownership Practices and Processes to show Responsible Investing framework is evidence-driven and forward looking.

Our aim is to ensure that the third-party fund managers we invest with are aligned with Coutts' commitments to our clients. We also work to understand how these organisations are set up to respond to future Responsible Investing challenges.

You can read more here: Responsible Investing Third Party Funds Policy.



PRINCIPLE 5

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

Review of our ESG approach

The following committees each have specific responsibilities for the steering, approval and/or oversight of our approach to Responsible Investing and stewardship:

- Asset Management Risk Forum
- Asset Management Investment Committee
- Tactical Asset Allocation Forum
- Wealth Climate Change Steering Group

More information on the responsibilities of these committees is detailed in Principle 2.

Review of our policies

All our policies relating to Responsible Investing are reviewed and updated at least annually to reflect changes in our approach, progress made and additional information that has become available. Policies are reviewed by the Responsible Investing team, who will assess whether policies can be updated to include new developments in terms of stewardship.

Any asset management policies that come into effect are taken through our governance process, which is detailed in Principle 2.

We actively monitor and review the activities of our stewardship provider, EOS at Federated Hermes, through quarterly calls and regular reports. This also includes ad-hoc engagement progress discussions and direct participation in engagements where appropriate. EOS also provides a client facing portal which allows us to refer to the full history of engagement of each company and track progress. As mentioned in Principle 9, EOS conducts engagements using specific milestone-driven objectives, which allows us to effectively keep track of the stewardship activity delegated to them. They also publish a 3-year engagement plan, which is updated yearly to reflect progress made. This document is publicly available on our website[18].

Furthermore, we undertake due diligence on all our third-party research providers, which takes the form of an annual review. Coutts is also a member of the EOS Client Advisory Council, in which we discuss potential focus areas and key issues, review policy changes and contribute to areas of engagement.

Controls and assurance process

There are four aspects to our overall controls and assurance process, as detailed below. This process allows us to combine oversight over the day-to-day execution of our ESG approach with specific focused insights from independent teams across the business.

Responsible Investing team

The Responsible Investing team is tasked with the execution of existing controls and processes, as well as the identification of potential gaps in our current approach. The team reviews all ESG-related policies on an annual basis and ensures that these remain a reflection of our Responsible Investing approach.

In addition to daily oversight, the team also oversees adherence to ESG-related regulatory disclosure requirements by operating as the SME for Responsible Investing in business wide disclosure and regulatory reporting projects.

Where possible, oversight and execution of ESG-related processes that form a part of the day-to-day investment process are integrated into the relevant teams within Asset Management. For example, when the Investment Strategy team has assigned a net zero score to a new fund, this is discussed at the Fund Forum before moving to the Tactical Asset Allocation Forum. Monitoring of potential breaches of our net zero minimum requirements for our funds and discretionary portfolios is automated pre-trade, while manual checks are incorporated pre-and post-trade.

Risk and Business Controls

The Responsible Investing team, as well as all other teams within Asset Management, work closely with the Risk and Business Controls teams to accurately capture and monitor potential ESG-related risks and to ensure that, where possible, these risks are mitigated through enhanced policies and processes.

This team is also responsible for the incorporation of ESG risk, and specifically climate-related risks, into our overall risk framework.

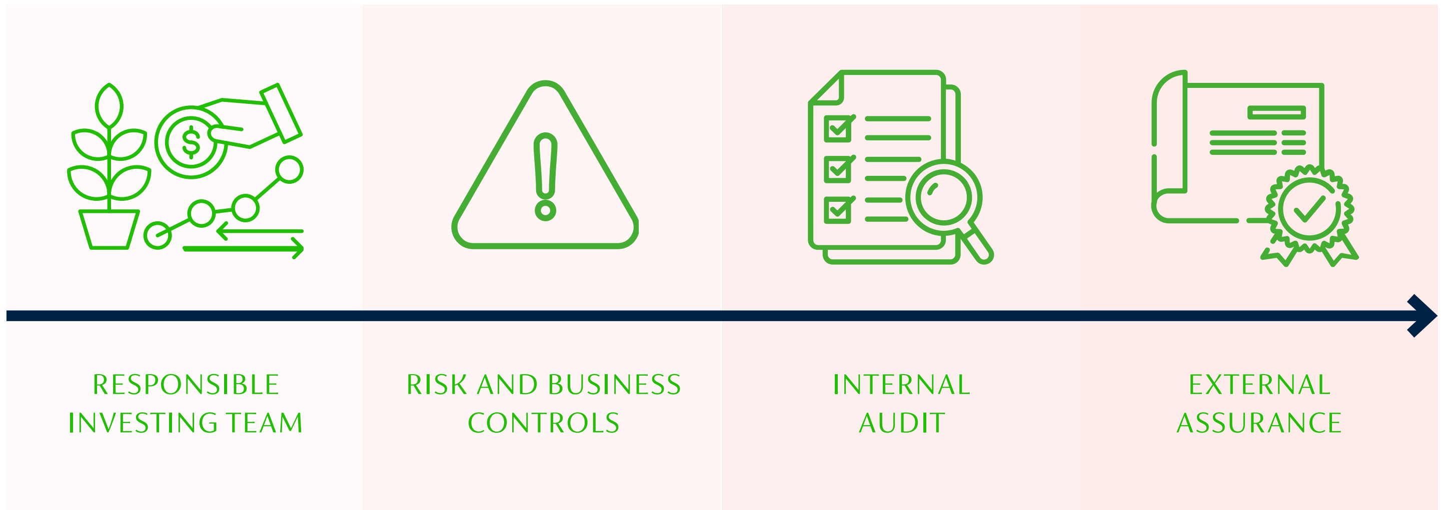
18.Disclosures and Policies

Internal Audit

Our ESG processes, policies and metrics are subject to review and challenge by NatWest Group's Internal Audit Department. Through both ad hoc and annual reviews the Internal Audit team provides assurance about the consistency and clarity of our ESG processes, policies and metrics.

External Assurance

As ESG data continues to mature we aim to consider the level of external assurance that our ESG-related metrics are subject to as part of the NatWest Group ESG external assurance process.



Assurance of service providers

Where we delegate our voting recommendation service and engagement to EOS at Federated Hermes, we rely on them to obtain independent assurance of their engagement and proxy voting process on an annual basis (AAF 01/06). For our ESG data providers, MSCI and Morningstar, we rely on them to obtain assurance where relevant.

Stewardship reporting

We receive voting and engagement reports from EOS on a quarterly and annual basis, and these are made publicly available on our website. Alongside we publish quarterly insight articles to bring to life these reports and highlight past quarter's achievements and the focus going forward. This information is publicly disclosed on our website and where clients have opted into receiving marketing, they will also receive these insights via email. These different formats have the aim to make our stewardship activity accessible and understandable for our diverse client base.

OUR 2022 REPORTS

Click on the link to view the report

Q4 2022 Engagement Factsheet

Annual review 2022

Voting statistics Q4 2022

Improving stewardship policies and processes

For third-party funds the responses they provide to our Responsible Investing due diligence questionnaire help us identify strengths and weaknesses, as well as areas for development in the fund managers we invest in, and this provides us with a starting point for engagement. Our questionnaire is key to enabling us to continuously improve our stewardship and that of the funds we invest in, as it helps us track progress at the fund level and tailor our engagement to maximise impact. It is updated yearly to reflect the latest developments on Responsible Investing within Coutts. Regular review of our Responsible Investing policies and processes to incorporate changes in our approach, better availability of data and developments in the industry have led to the following improvements in 2021:

- We enhanced our exclusions policy[19] to align with European regulation on their 'do no significant harm'[20] principles.
- We disclose our full voting records[21] for our BlackRock managed Coutts funds. We aim for our stewardship reporting to be fair, balanced and understandable. While we communicate our approach with our clients, fund managers and service providers, there are a number of areas where we have identified limitations in our stewardship approach.
- Discretionarily managed equity holdings might be held in a pooled nominee account. While this offers cost benefits for clients, it at times impacts our ability to exercise our voting rights. While this does not impact our ability to engage, we see voting as an integral part of our role as investment manager, which is why we are working towards a solution that would allow us to exercise our voting rights without increasing complexity and costs for our clients.
- While we have ownership over the engagement that takes place within our Coutts funds managed by Blackrock, for third-party funds this voting and engagement vests in the respective fund managers. While we clearly communicate our approach to stewardship and have frequent interactions to make sure information is being shared continually, we are still reliant on them to properly execute their stewardship duties and are often only able to act reactively when things go wrong. While we have not experienced significant issues, it remains a possibility that one of our fund managers fails to exercise their voting and engagement duties to a satisfactory standard.

19. Responsible Investing ESG-Related Exclusions Policy
20. EUR-LEX: European Regulation
21. Disclosures and policies

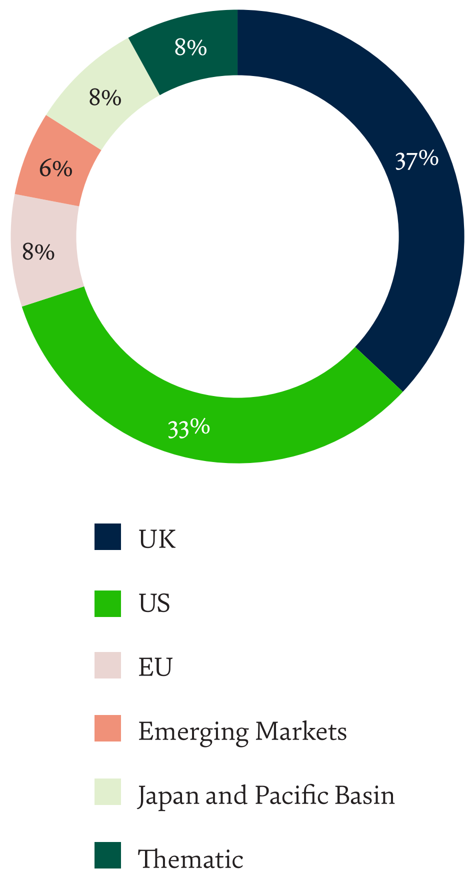
PRINCIPLE 6

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

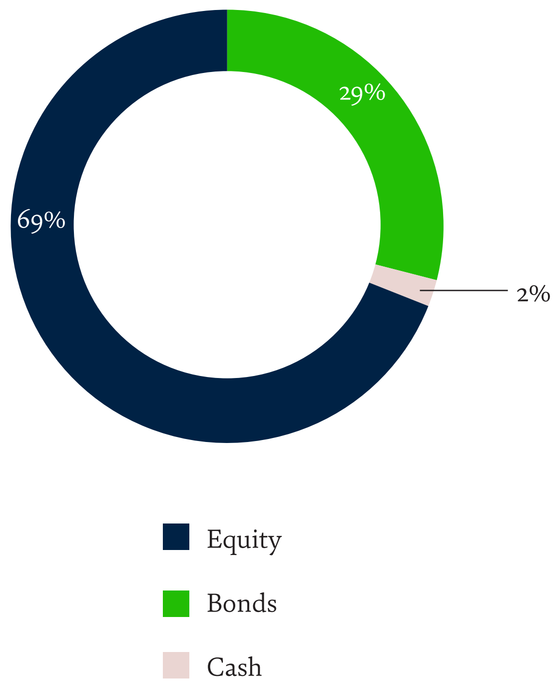
Our client base and assets under management

As a UK private bank and wealth manager, Coutts serves high net worth families and individuals with a nexus to the UK. Coutts Asset Management provides asset management services on behalf of the NatWest Group, totalling £33.4bn (as of 31 December 2022). The client base we serve consists almost exclusively of retail investors. However, experienced clients who are looking for a more complex, sophisticated service, can move up to professional status, but this will only represent a very small portion of our client base. In addition to individual clients we also serve a number of charities and businesses.

2022 AuM Breakdown across geographies



2022 AuM Breakdown per asset class



At Coutts our aim is to be a long-term, indispensable partner for our clients and serve families over generations. Therefore, the investment products we manage aim to provide an increase in value over the medium to longer-term by providing a range of diversified funds and portfolios. Our investment horizons range from a minimum of five years to in excess of eight years, depending on the client's risk and return preferences.

Seeking clients' views

How we seek out and receive clients' views depends on the chosen investment route:

- Clients can opt to undertake the advice journey, which allows them to enter into dialogue with their wealth manager on their needs, goals and preferences, which are then incorporated into the investment advice provided at the end of the advice journey.
- Alternatively, clients can opt to undertake the digital self-conducted guided advice journey through Coutts Invest, NatWest Invest and Royal Bank Invest, which grants them access to our portfolio funds.
- Thirdly clients have the ability to invest themselves, on an execution-only basis, in a range of investment products that are managed by Coutts Asset Management. This would allow the client to assess their risk and return preferences independently while maintaining access to Coutts investment products and the Coutts investment view.

The Coutts Client Council allows us to engage with clients in order to better understand their requirements and concerns and to improve our own service while informing them of our goals and ambitions. The Council continues to grow in number and we plan to double our membership over the coming year. The Council is made up of a group of engaged clients and supports rolling research programmes aimed at improving client experience, products and services as well as being a test bed for new ideas and innovations.

Managing assets on behalf of our clients

Stewardship is a central element of our approach to responsible investment. Where clients opt to receive advice and invest with Coutts, an investment policy statement will be created to reflect the client's investment policy. Where clients opt for a bespoke portfolio, they can avoid exposure to a number of activities in the direct equity portion of their portfolio. The data provider for this screening is MSCI.

As we manage assets on behalf of our clients, they delegate voting and engagement with their holdings to us. While we do not offer bespoke voting based on the client's personal preferences, we are guided by our Responsible Ownership Principles, which have been developed through an iterative process based on industry best practice, but have evolved to incorporate the views of our clients and stakeholders.

Communicating with clients

We communicate on our approach and activities regarding stewardship in three ways. Firstly, we publish reports, insights and voting and engagement reports on coutts.com, which is available to the public.

This includes:

- Annual reports
- Regular insight articles on coutts.com that provide context and thought leadership around our stewardship and Responsible Investing activity, including case studies of engagement
- Quarterly voting and engagement records (provided by EOS), which provides a breakdown of the number of meetings and resolutions voted on, the number of companies engaged with, including a breakdown by geography and theme.

Communicating with clients

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- Annual reports
- Regular insight articles on coutts.com that provide context and thought leadership around our stewardship and Responsible Investing activity, including case studies of engagement
- Quarterly voting and engagement records (provided by EOS), which provides a breakdown of the number of meetings and resolutions voted on, the number of companies engaged with, including a breakdown by geography and theme.

2022 Progress Example

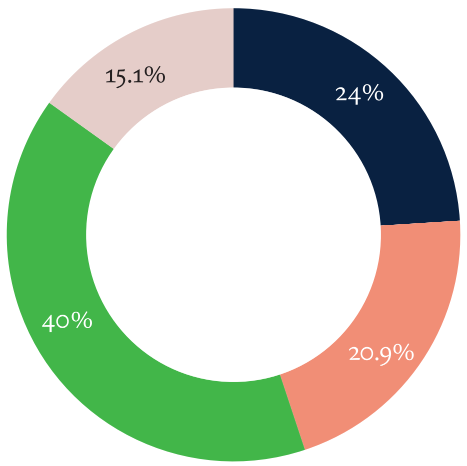
Throughout the year, we have been working on creating Environmental, Social and Governance (ESG) Data Factsheets to launch in Q1 2023. The Factsheets will provide investors with greater transparency on our progress against our net zero commitments and current exposures to certain business activities.

2022 ENGAGEMENT ACTIVITY

- Environmental
- Social and Ethical
- Governance
- Strategy, Risk and Communication

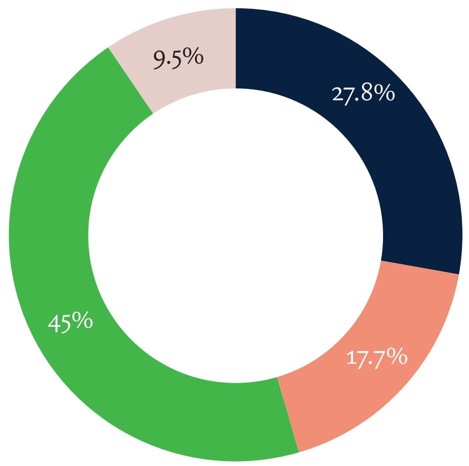
Q1 2022

EOS engaged with 154 companies over the last quarter.



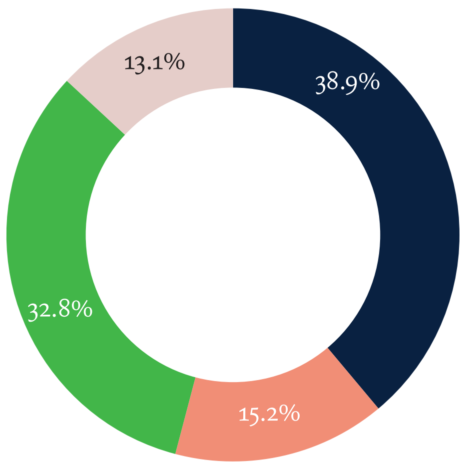
Q2 2022

EOS engaged with 267 companies over the last quarter.



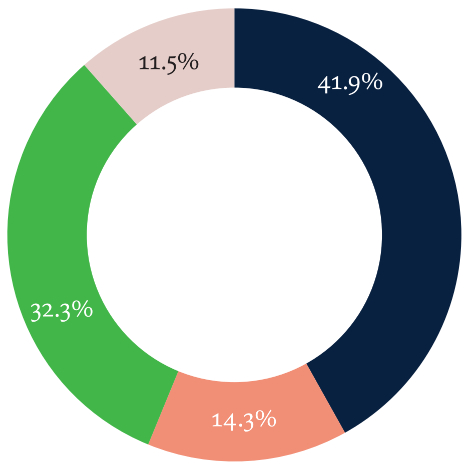
Q3 2022

EOS engaged with 98 companies over the last quarter.



Q4 2022

EOS engaged with 116 companies over the last quarter.



Secondly, we produce materials and organise events around Responsible Investing for our clients. This includes in-person events, podcasts, interactive webinars, and reports.

Example – Client event

In November 2022 we organised an in-person client event focused on Responsible Investing. This included a deep dive into our approach to Responsible Investing, as well as a round table discussion on how investors can strengthen their approach, leverage technology and use their influence. The session also provided an opportunity for clients to ask questions about our approach to Responsible Investing and our priorities for the year ahead.

Thirdly, we communicate with our clients on stewardship on an ad-hoc basis. Our advisers maintain regular contact with our clients and will have conversations around their interests and needs. While all our advisers have received training around our approach to Responsible Investing, where clients express an interest in Responsible Investing, the relationship manager has the ability to liaise with the Responsible Investing team to join meetings and/or provide more details on our approach to stewardship. This can include more general conversations around our approach and activity, a deep dive on our carbon reduction targets or a discussion around how their values can be reflected within their investment portfolios.

2022 Progress Example – Transparency on net zero within our funds and portfolios

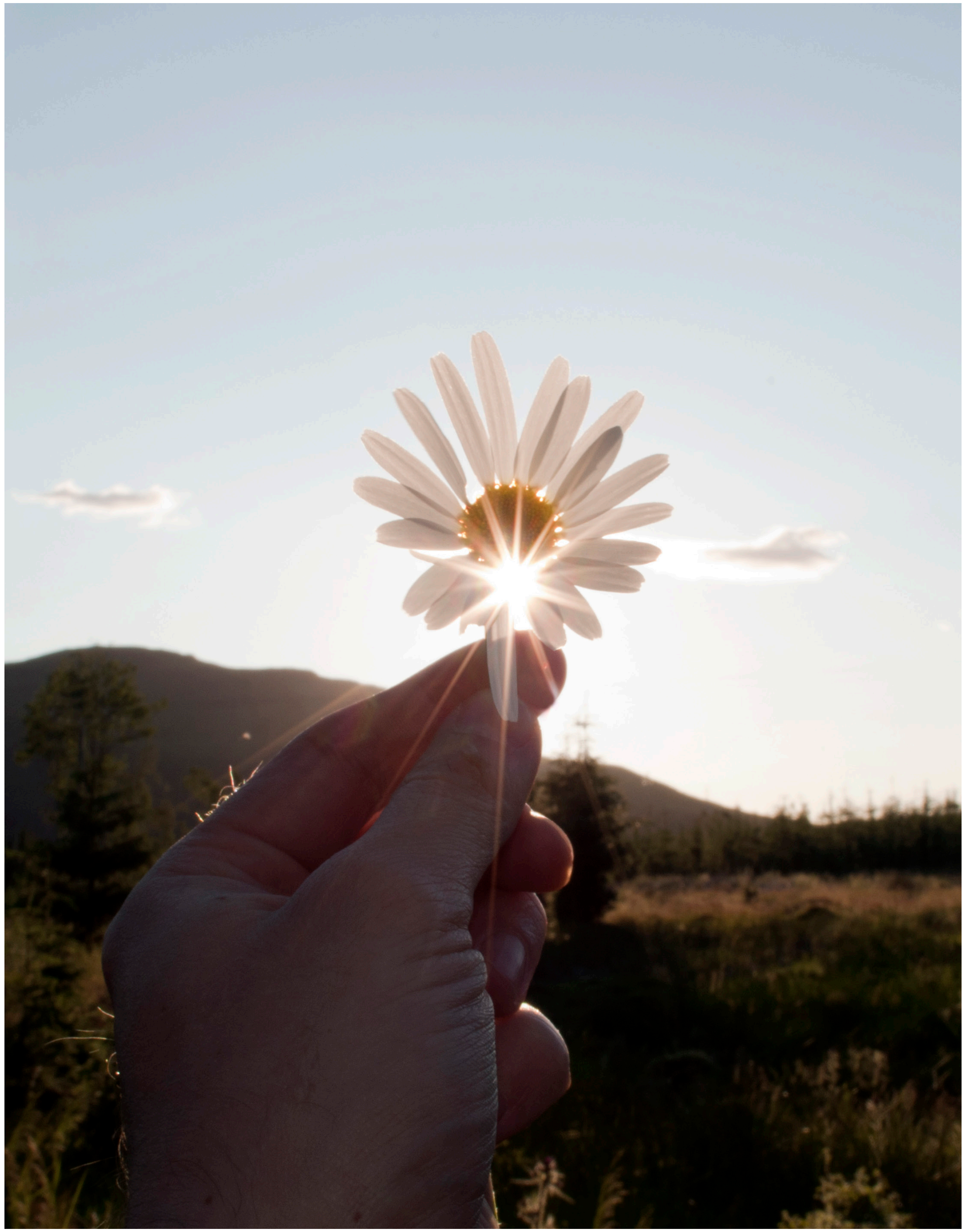
All customers invested in our core managed funds and discretionary portfolios now have a minimum amount of their wealth invested in funds that are on a net zero trajectory. For customers invested through Coutts Invest, NatWest Invest and Royal Bank Invest this is at least 50% of the assets by value in our PPF range. For customers invested in our CMAF range and discretionary portfolios this is at least 20%.

As at 31 December 2022 £6.5 billion of total AuM is invested in funds that are on a net zero trajectory and are decarbonising at an average rate of 7% per annum[22].

When we are unable to meet client needs

Through our advice process we aim to get a deep understanding of our clients' investment needs and preferences. Where clients require tailored portfolios that reflect their ESG and/or ethical considerations, we are potentially able to offer bespoke portfolios to help achieve this.

In most cases we can provide clients with suitable investment solutions and have found that we are able to manage assets in line with their preferences and expectations. However, if we are not able to do so, we will talk to clients about our approach to stewardship and the policies we adhere to. In cases where we find that our approach is not reconcilable with a client's own stewardship or investment policy, we would not be able to make a suitable recommendation.



22. NatWest Group 2022 Climate-Related Disclosures Report (page 25)

PRINCIPLE 7

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

ESG considerations

Coutts defines Responsible Investment as the 'integration of environmental, social, and corporate governance (ESG) considerations into our investment processes and our ownership practices'. Through our holistic asset allocation process, we consider a wide range of ESG-related risks and opportunities, which are detailed in our Responsible Investing Policy and our Third-Party Funds Policy, which are available on our website.

As part of NatWest Group, tackling climate change is one of the three pillars underpinning our purpose, meaning that we have identified the mitigation of climate risk as a key opportunity. In line with NatWest Group's climate ambition and alignment with the 2015 Paris agreement, Coutts Asset Management has set targets to reduce the carbon intensity of all our discretionary funds and portfolios:

- We committed to reducing the carbon intensity of all equity holdings in discretionary funds and portfolios by 25% by the end of 2021. We reduced the carbon intensity of equity holdings of our in-scope AuM by a weighted average of 30%[23] per fund/portfolio (compared to a baseline of 2019 carbon intensity, weighted using 2022 AuM's).
- Furthermore, we also committed to a 50% reduction in the carbon intensity of all holdings by the end of 2030.
- Additionally in 2021, we joined the net zero Asset Managers initiative[24].

As part of our ambition to achieve net zero emissions across our assets under management (AuM) we have also published our net zero strategy and our short, medium and long-term targets.

2022 Progress Example

In May 2022, we announced our interim strategy to achieve net zero emissions across our AuM. This included defining the percentage of our AuM we consider in-scope for net zero alignment, as well as a short- and a medium-term ambition to increase the percentage of in-scope AuM we consider to be on a net zero trajectory: 50% aligned to a net zero trajectory by 2025, increasing to 70% by 2030.

89% of AuM are considered in-scope to be managed in line with net zero. This includes all core managed funds and discretionary portfolios, which includes our Personal Portfolio Funds (PPF), Coutts Managed Fund (CMAF) range and our discretionary (non-bespoke) portfolios. To aid us in meeting this commitment, we redesigned our core investment products incorporating our focus on net zero into fund and portfolio documentation.

In the upcoming years we will enhance our net zero strategy in the following ways:

- We plan to make more climate-related data available to customers to increase awareness of the progress being made across in-scope AuM
- We plan to continue our engagement with fund managers and companies to set climate strategies that are aligned to a net zero trajectory.

Example – Our carbon reduction targets

We are making deliberate allocations to ensure we achieve our carbon reduction targets. In 2022 we embedded net zero characteristics into our ESG Insight fund range, managed by BlackRock. These funds have a 30% lower carbon intensity versus their parent benchmark and are designed to decarbonise 7% year-on-year in line with a net zero approach[25]. This new methodology ensures that we are on a decarbonisation trajectory and will aid us in our long-term strategy of achieving net zero.

More information on our net zero strategy, including our methodology, is available on page 38: Initial Target Disclosure Report - May 2022

23. For AuM, carbon intensity is calculated as tons of Scope 1 and Scope 2 carbon emissions per $1 million of sales. This is measured for equity holdings only which, as at 31 December 2022, made up 52.5% of overall AuM. Carbon intensity data is sourced from Morningstar at the underlying fund level. Carbon intensity is aggregated at the fund/portfolio level, then weighted based on AuM for 31 December 2022. To produce a carbon intensity reduction figure, a comparison is done at the fund/portfolio level only against baseline fund/portfolio data, then weighted based on 31 December 2022 AuM for all in-scope AuM. As a result, the movement in AuMs between 31 December 2022 and the 31 December 2019 baseline has not been considered. Where external data is unavailable and where deemed appropriate, proxies are selected that match the fund characteristics. Figure reported is based on external data as at 30 September 2022.
24. The Net Zero Asset Managers initiative -Signatory Disclosure
25. NatWest Group 2022 Climate-Related Disclosures Report(page 25)

Therefore assessing the carbon footprint and climate-related risks and opportunities of funds and companies we invest in is a priority for us, and forms part of our assessment process before deciding to invest, and the progress made by funds and companies to align themselves with the Paris Agreement is also an important factor we monitor throughout our holding.

In addition to this, we monitor funds' and companies' exposure to unsustainable (fossil fuels, thermal coal, and oil sands extraction involvement) and sustainable (green transportation, renewable energy production and supporting products/ services) activities, and we aim to identify ways to adjust these exposures in line with our assessment of the investment risks and opportunities.

As a responsible investor, Coutts has taken the decision to implement an ESG-related exclusions policy[26] to funds and portfolios managed by the Coutts Asset Management team on a discretionary basis. We recognise that as responsible investors we have an obligation to engage with those companies in which we invest to help mitigate material risks associated with environmental, social and governance issues. However, there are certain investments where we believe that engagement will not be effective or where we decide to take a prudent approach until we gain sufficient confidence that the relevant issues can be addressed. As a result, there are a number of activities that we have excluded from our investment universe. The table below details (shown by a tick) the exclusions we have applied and where they are applicable across our portfolios:

	COUTTS MANAGED - BLACKROCK PASSIVE FUNDS[i]	COUTTS MANAGED - BLACKROCK ACTIVE FUNDS[ii]	COUTTS DIRECT SECURITIES[iii]
Adult Entertainment	✓		
Arctic Oil/Gas Production	✓	✓	✓
Civilian Firearms	✓		
Controversial Weapons	✓	✓	✓
Gambling	✓		
Human Rights	✓		
ILO	✓		
Nuclear Weapons	✓	✓	✓
Predatory Lending	✓		
Tar Sands	✓	✓	✓
Thermal Coal Energy Generation	✓	✓	✓
Thermal Coal Extraction	✓	✓	✓
Tobacco	✓		
UNGC	✓		

i. Coutts US ESG Insights Equity Fund, Coutts Europe Ex UK ESG Insights Equity Fund and Coutts UK ESG Insights Equity Fund
ii. Coutts Actively Managed Global Investment Grade Credit, Coutts Actively Managed US Equity Fund and Coutts Actively Managed UK Equity
iii. Direct Securities are managed by the Coutts Direct Equity team across various portfolios

Example – Glencore

Another example of the influence of stewardship is our decision to exit any holdings that are not in line with our exclusions policy. In mid-2022, Glencore was moved to the UN Global Compact violation list by MSCI. This was due to MSCI's ongoing negative assessment of the impact Glencore was having on local indigenous communities near its facilities. As such, the company breached our enhanced exclusion policy applicable to Coutts ESG Insights funds and we removed the holding from all applicable Coutts funds in a timely manner.

Example – UK Enterprise Funds

In collaboration with BGF Group Plc (BGF), Coutts has continued to support UK small and medium-sized enterprises (SMEs) with the UK Enterprise Funds (UKEF), which provide a unique opportunity for clients to invest in diversified portfolios of UK-based growth stage private companies.

As a multi-year series of funds, UKEF enables clients to invest in fast-growing British businesses, and aims to address the funding gap (estimated at £5 billion to £15 billion p.a.) for SMEs, and the disparity in funding facing underrepresented parts of the ecosystem, such as women-led businesses and companies based outside of London and the South-East (SE). While the Fund will not seek to approach solely female-led businesses as an investment objective, along with BGF and NatWest Group, it aims is to provide tangible support which sits alongside the Fund including:

- Practical support such as mentorship and executive coaching for women-led businesses, workshops to support businesses to get 'investment ready'.
- Increasing awareness and availability of growth capital to female-led businesses, including NatWest Group raising awareness among its commercial and corporate customers. NatWest Group and BGF continue to also promote best practice across investing, including signing up to the Investing in Women Code, a set of government principles that show a clear commitment to supporting female entrepreneurship.

BGF furthermore continue to monitor and aim to improve diversity in its investee company management teams, including greater representation of women in senior levels – in 2022, 27% of board introductions from BGF's Talent Network into portfolio companies were women.

26. Responsible Investing ESG-Related Exclusions Policy

Factors influencing ESG integration

While ESG factors are integrated at every stage of our investment process, routes to market, asset classes and geographies influence our ability to utilise our capabilities and wield our influence. As mentioned in Principle 5, third-party funds make up a significant proportion of the investment portfolios we manage on behalf of our clients. When we consider investing in a third-party fund, we require them to complete our Responsible Investing Questionnaire as part of our standard due diligence process. This questionnaire reflects all aforementioned issues in detail and includes qualitative and quantitative questions relating to: their approach to net zero both as a firm and at the fund level (including emissions targets, SBTi status and disclosures) whether they are signatories of PRI, UK Stewardship Code (or similar), questions relating to voting and engagement records and whether this information is publicly available, and questions relating to TCFD and associated recommendations for asset managers.

We request third-party funds to disclose examples of successful and failed engagement, and to detail their approach. At all times we require the funds that we invest in to back up their statements with examples to help bring this to life. Each fund is scored based on their answers, compared against the relevant peer group, and this is then incorporated into our investment decision-making processes. Where we notice a lack of willingness from asset managers to incorporate Responsible Investing principles into their investment process, this will feed into our overall assessment of them. While funds with below average scores are not automatically dismissed, access to this data and insight allows us to engage with the manager, with a view to improving their practices. Annual reviews are conducted with all third-party fund managers.

Example – Stewardship informing investment decisions

As part of our proprietary Responsible Investing questionnaire developed by our Investment Strategy and Fund Research team, we ask prospective third-party fund managers to submit evidence of their engagement activity. We want to understand the issues that portfolio managers are engaging on, how they are progressing and what actions they are taking. To complement this information, we also ask for voting records which allows us to understand how the fund managers are voting, where they have supported and voted against management, and on what issues. This information is used by our fund research team to internally score third-party funds and assess their approach to Responsible Investing which forms part of our formal due diligence process. We enhanced our questionnaire in 2022 to cover net zero in greater detail, we now require evidence from our fund managers of how they've incorporated any net zero gets into their investment strategy, if they've joined SBTi, and how they disclosure information publicly around their emissions reduction or other climate targets.

For our direct security selection, we draw on data from MSCI, an external data provider, to obtain inputs on a range of ESG-related risks. Where investing directly into equity, we will only do so if these do not violate our exclusions policy. While ESG data is more widely used for equities, and data availability develops at different speeds, we will subject our indirect bond holdings in third-party managed funds to a similar due diligence process as we do for our equity holdings.

We currently do not assess ESG risks for our cash holdings due to a lack of standardised and reliable information, but are looking to enhance our approach to cash, as we believe there is more that the industry can do to drive the adoption of industry-wide methodologies in this area.

Voting and engagement is the area where we notice the biggest discrepancies between asset classes and geographies. While we are advocates for active ownership and the use of voting and engagement to drive material, long-term change, we are limited in our ability to engage with our government bond holdings. However, we require all third-party bond funds to complete our Responsible Investing questionnaire. Across geographies we observe stark differences in cultural norms, laws, and corporate governance standards, affecting our ability to drive change. We believe that in order to effectively engage across geographies a tailored engagement approach is required, which is why we work with our stewardship provider, EOS at Federated Hermes, who have local engagement teams with specific focus areas. Two examples of geographical discrepancies that we have identified are board independence across Emerging Markets, and gender diversity on Japanese corporate boards. EOS provides disclosures on their Regional corporate governance principles.

Integrating stewardship

Coutts is a long-term investor, and this influences how we assess material ESG risks and opportunities. As an asset manager operating on behalf of our clients, we seek to make asset allocation decisions that serve their long-term investment goals. We believe that this will gradually but increasingly underline the importance of incorporating ESG opportunities and risks to the creation of long-term value for our clients. As part of our investment process we look for risks that have the potential to affect returns over the medium to long term, and this aligns with the time horizons of our clients. We have a holistic risk management process that looks at risks of all timeframes, even where clients have shorter time horizons (e.g. three years). More details are provided in Principle 4.

When providing investment advice to our clients we consider a minimum time horizon of five years, which is often a short timeframe to achieve persistent and measurable results from engagement. However, as engagement is both goal-driven and event- driven, we believe that even clients with shorter time horizons will benefit from our engagement activity.

Example – Proactive engagement

In 2022 we supported a ShareAction request for Sainsbury's to pay all its workers the living wage by becoming a Living Wage accredited employed. Accredited Living Wage Employers commit to paying their employees a wage in line with living costs. At the time the real living wage was £11.05 an hour in London and £9.90 an hour for the rest of the UK, while the current mandatory minimum wage is £9.18 an hour for those under 23 and £9.50 an hour for employees over 23.

Outcome: While the shareholder resolution did not receive a majority, we saw Sainsbury's increase their wage in-line with the living wage for their employees.

Outcome

2022 Progress Example – initial iteration of our Climate Transition Plan

We commenced the initial iteration of our climate transition plan. The aim of this iteration was to set out potential levers we can pull to accelerate progress on our net zero ambition within our existing investment framework. Part of our role as a globally diversified investor is to increase the speed at which companies are reducing their emissions and investing in climate solutions. As we invest in third-party funds, working with fund managers to align their products to a net zero trajectory forms a core part of our Asset Management net zero strategy.

We focus on aligning our funds and discretionary portfolios with a net zero trajectory, seeking out funds that we deem to have a credible plan to achieve net zero by 2050. We are working towards achieving our portfolio alignment targets by:

- Designing our Coutts Net Zero Investment Framework (CNZIF), which uses qualitative and quantitative data sourced from third-party fund managers to assess the credibility of their net zero strategy, related commitments and progress made against these. This complements our carbon reduction targets by identifying datapoints that we consider to be indicators for future decarbonisation.

- Embedding our net zero ambition into our investment products, by building a minimum allocation to assets that are already on a net zero trajectory into the fund prospectus.

- Leveraging our strategic relationship with BlackRock to build average annual decarbonisation into our Coutts ESG Insights funds, and developing a net zero approach for our active Coutts funds.

- Building net zero into our engagement activity with companies and funds and demonstrating our net zero ambition through our voting activity.

We also set out the main external dependencies to support transition:

- As an investor in third-party funds, we are dependent on the asset management industry to design products that are aligned to net zero and have sufficient scale.

- Voting and engagement is most effective if the asset management industry is moving jointly in the same direction. This requires consensus on engagement priorities and collaboration to set out standards and expectations around net zero.

- As a global investor we need decarbonisation to happen on a global scale rather than in isolated geographic segments, therefore requiring not only national policy action, but supranational cooperation and global consensus around how net zero will be achieved.

During 2023 we will continue to evolve our Climate transition plan, including further work on external engagement with our third-party funds and the Asset Management industry.

Service providers

All our investment management service providers are subject to our selection process, which includes, where relevant, a number of questions on their approach to ESG and sets out minimum criteria that we expect to be fulfilled for them to be considered.

Our service providers are kept informed of our commitment to Responsible Investing. For service providers that enable us to effectively carry out our stewardship activity, we will disclose our ESG related policies and commitments, such as our exclusions policy, our carbon reduction targets and our ESG integration process.

Our stewardship provider, EOS, makes voting recommendations based on our responsible ownership principles and has a clear and proprietary milestone system, detailed in Principle 9, to track success of engagements over the short, medium and long term. In addition to this, we maintain ongoing dialogue with data providers to ensure we have access to all required data to make informed investment decisions.

PRINCIPLE 8

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

Monitoring asset managers

Funds managed by third parties make up a significant proportion of our client portfolios and we recognise how important it is that the fund managers we work with perform as we expect them to, both in financial terms and their approach to stewardship. In addition to ongoing, more informal dialogue, we conduct annual reviews with all third-party fund managers, which includes a review of any meaningful changes or improvements to their approach to Responsible Investing.

As voting and engagement is a cornerstone of our approach to responsible investment, we take great care in assessing fund managers' voting and engagement practices. We request voting and engagement data on a regular basis and review case studies to understand the impact that their engagement activity is having in driving positive change.

Below is a non-exhaustive list of topics that we monitor and that often come up in annual review meetings:

- Review the manager's firm-level vs. product-level approach to Responsible Investing
- Review the managers firm level approach to net zero
- Review if they have committed to or published any science based targets
- Review public disclosure of climate targets and progress made
- Review the oversight and responsibilities of ESG implementation
- Review how is ESG implementation enforced/ensured and assess ESG expertise of investment team
- Review the manager's Responsible Investment promotion efforts and engagement with the industry
- Review the process for ensuring the quality of the ESG data used
- Review how ESG materiality is evaluated by the manager
- Review process for defining and communicating on ESG incidents
- Review and agree ESG reporting frequency and detail
- Request and discuss PRI Assessment Reports
- Review the manager's engagement policy and process
- Review the manager's voting policy and ability to align voting activities with clients' specific voting policies
- Review the manager's process for informing clients about voting decisions
- Ensure whether voting outcomes feed back into the investment decision-making process
- Review the number of votes cast as a percentage of ballots/AGMs or holdings and available rationale.

Monitoring service providers

We maintain strong relationships with our investment management service providers and are in contact with them on regular basis to request updates, ask for clarification on data points or to collaborate on projects. As our Responsible Investing team has limited capacity, we rely heavily on EOS and our data providers to help strengthen our approach to Responsible Investing by providing us with up to date and relevant data.

For EOS, our stewardship provider, we monitor their activity through the quarterly reporting on voting and engagement that they provide, and we track their progress against their engagement milestones. We flag inconsistencies where identified and we actively participate in the EOS Client Council to help identify priorities for engagement going forward.

From our data providers we request methodologies on an ad hoc basis to help us gain better understanding of their data, and we point out data gaps/inconsistencies in the data that we receive from them. While we were in the process of developing our own carbon footprint methodology we worked closely with both Morningstar and MSCI to ensure that we were using the data correctly, and any assumptions made were reasonable.

In 2020 NatWest Group launched its new Supplier Charter, which sets out the sustainability requirements that suppliers must meet in order to do business with the Group. It covers key ESG topics and informs our supplier tender process. We require that our suppliers pass the requirements to their own supply base. In 2022, we have undertaken data analysis to understand the capability of our suppliers, where they are on the journey to net zero, and what help they might need to progress.

During our engagements with fund managers we ask them about their approach to Responsible Investing and tell them in detail about our approach and expectations, after which we monitor their behaviour. In some cases, we find that fund managers do not meet the expectations we set out for them. In this scenario we continue to engage with fund managers and communicate our policies and practices. Our fund research team will ultimately decide if engagement is no longer a viable option and we can re-assess if we should continue to maintain the fund on our buy list.

Example – Net Zero Commitment

We have been engaging with a third-party fund manager on our buy list who is lagging their peers on their approach to Responsible Investing. We have engaged with the manager's Head of Sustainability with regards to their firm-level Responsible Investing commitments. An engagement priority for Coutts is the setting of tangible net zero commitments and disclosing of credible decarbonisation plans. The manager has not made a net zero commitment and we have highlighted to the manager our concerns around the financial implications of not considering transition risk in the manager's investment strategy. As Coutts is a signatory of the net zero Asset Managers Initiative, we explained to the manager what commitments and disclosures are required in order to become a signatory. The manager was appreciative of this guidance and has committed to us that they will work to become a signatory in the near future. We are tracking this engagement issue and conducting periodic reviews with the fund manager.

Paris Aligned Investment Initiative (PAII)'s 'Net Zero Investment Framework'[27]

This net zero Investment Framework provides a common set of recommended actions, metrics and methodologies through which investors can maximise their contribution to achieving global net zero global emissions by 2050 or sooner.

Its primary objective is to ensure investors can decarbonise investment portfolios and increase investment in climate solutions, in a way that is consistent with a 1.5°C net zero emissions future.

It has an 'investment strategy' led approach, supported by targets set at portfolio and asset level. Combined with smart capital allocation, and engagement and advocacy activity, this ensures investors can maximise their impact in driving real-world decarbonisation.

Translating this framework into our Responsible Investing process

As most of our investments are in funds, we also assess the alignment to a net zero trajectory on a fund level. As part of our fund due diligence and review process we will assess funds based on the presence and robustness of their net zero strategy.

This is important because, while a net zero target reflects a company/fund's end goal of reaching net zero carbon emssions by 2050, it does not guarantee alignment with the Paris Agreement. Therefore, it is crucial that a net zero target is accompanied by a strategy that demonstrates that the company/fund is on a credible net zero trajectory and reducing its emissions sufficiently and in a timely manner to keep the 1.5C limit within reach.

Our assessment, which is based on the assessment criteria set out by the Paris Aligned Investment Initiative's net zero Investment Framework and adapted to fit within our investment context (i.e. investing through third-party fund managers) should help us align with net zero and strengthen our approach to climate risk while remaining globally diversified and exposed to a wide range of sectors.

We communicate progress versus net zero trajectories within our core investment models via quarterly ESG Factsheets. You can view them under 'literature' on our investment product pages (next to the monthly fund factsheets).

You can read more about our investment processes
Responsible Investing Disclosure and Policies

27. Paris Aligned Asset Owners -Net Zero Investment Framework

Example – Data Challenge

An example of where we challenge our data providers is when we identify discrepancies in carbon intensity data, which we use to calculate our AuM and product-level weighted average carbon intensity. Where companies and/or funds show big fluctuations in carbon intensity compared to the last reporting period, we will query this with our data provider to ensure this is due to actual changes and not due to calculation or reporting errors. This allows us to gain a better understanding of how carbon intensity data is collated and what can cause fluctuations in this and other similar data points.

PRINCIPLE 9

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

We work with EOS at Federated Hermes, who engage with companies held within our Coutts Funds, enabling positive change and strengthening the value of our assets. We work with an external stewardship provider because we believe that effective stewardship requires substantial resource and expertise. As a member of EOS Client Advisory Council and Client Advisory Board, we provide feedback on EOS' engagement priority areas and processes and have the ability to contribute to the annual engagement plan. In addition to this, we are in regular contact with our EOS relationship manager to provide mutual updates on our activity and progress.

We expect EOS to provide us with intelligent voting recommendations that are engagement-led where possible and tailored to the company's individual circumstances. We also expect proactive and reactive engagement with companies in our portfolios using a constructive, objectives-driven and continuous dialogue on ESG issues. We expect their strategies to be informed by deep knowledge across themes, sectors and regions to ensure that their engagement is tailored and on the most financially material factors affecting the long-term sustainability of companies. More specifically, we expect EOS to engage with our holdings in line with the themes agreed on in our three-year engagement plan, which is made publicly available on our website.

EOS has developed a proprietary milestone system, which allows us to track progress in our engagements relative to objectives set at the beginning of our interactions with companies.

The specific milestones used to measure progress in an engagement vary depending on each concern and its related objective. They can broadly be defined as follows:

1. MILESTONE 1

Concern raised with company at appropriate level

2. MILESTONE 2

Acknowledgement of the issue

3. MILESTONE 3

Development of a credible strategy or plan to address the concern

4. MILESTONE 4

Implementation of a strategy or measures to address the concern

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Example (EOS) – Net Zero Climate Change Polices (US)

Exxon Mobil – published January 2022

In 2017, EOS joined 62% of ExxonMobil's shareholders in requesting an annual assessment of long-term portfolio impacts of technological advances and global climate change policies. Following the resolution, they urged management to demonstrate how its long-term strategy accounts for climate change. They recommended that the strategy be stress tested against various demand assumptions and policy scenarios.

In 2019, EOS were disappointed that ExxonMobil appeared to be withdrawing from dialogue on climate change with investors and their representatives, reducing our access to management. They recommended votes against the members of the board and affairs and public issues committees, for insufficient response to climate change.

In 2021, ExxonMobil faced a proxy contest in which an activist shareholder, Engine No. 1, proposed an alternative list of directors to those put forward by the company's board. Following engagement with both Engine No. 1 and ExxonMobil, EOS recommended supporting the proxy contest. EOS believe additional board refreshment is necessary given the company's long-term financial underperformance.

ExxonMobil has taken some actions by committing $15 billion for lower-emissions investments through to 2027; announcing a net zero plan and beginning methane certification for some production in the Permian Basin; and by joining 11 companies to support large scale carbon capture utilisation and storage technology.

After the proxy contest, EOS requested targets demonstrating how Scope 3 emissions from product use will be reduced over time in line with the International Energy Agency's 2050 net zero scenario. EOS recommended that Exxon Mobil support their auditor by exception since climate change is not described as a factor in the audit committee report, nor in the management resolution to ratify PriceWaterhouseCoopers.

Example (EOS) – Circular Economy Strategy (Europe)

Adidas – published February 2022

EOS at Federated Hermes' engagement with Adidas intensified in late 2018, when EOS met with the company's sustainability team to focus on the future trajectory of the company's sustainability strategy. EOS challenged the company on the environmental impact of its product range. EOS stressed that ambitious, science-based climate targets need to be central to its 2025 sustainability strategy.

EOS returned to these discussions after its 2019 results announcement. EOS welcomed a public commitment from the company to address climate change but urged it to set a science-based emissions reduction target to demonstrate that its ambitions are in line with the 1.5°C trajectory of the Paris Agreement.

On resource use and circularity, EOS welcomed some positive steps: an improvement to its Carbon Disclosure Project (CDP)[28] water score and achieving 100% cotton sourced through the Better Cotton Initiative, as part of its commitment to steadily increase the use of more sustainable materials in its production, products, and stores. EOS pushed the company to go further and to set specific, timebound targets for recycled materials in its products, as well as publishing a plastics footprint.

In early 2021, the company achieved certification from the Science-Based Targets Initiative, affirming that its emissions reduction targets are in-line with our engagement objective. Then in March 2021, the company announced the ambition for nine out of ten of its articles to be more sustainable by 2025.

EOS continue to engage with the company on its circularity strategy. EOS are encouraged by the company's commitment to, firstly, intensify its communication and marketing for products made from sustainable materials and, secondly, roll out its product takeback programmes at a large scale.

Example (EOS) – Net Zero Operations (US)

Amazon – published March 2022

Amazon's scale means that it has an important influence across employment and health and safety standards within its value chain. EOS at Federated Hermes began engaging with Amazon in 2012, when EOS informed the company that they were recommending a vote for shareholder proposals seeking better disclosure on climate change and on its political activity and donations.

In their first conversation, EOS pushed the company to respond to the CDP survey on climate change and questioned its governance and the multitude of directors with connections to the founder. Their engagement dialogue has since covered a number of topics and called for: an enhanced board composition; an improved sustainability report and carbon-neutrality across its own operations; and other governance improvements.

Subsequent improvements have included the appointment of two directors with experience leading retail and consumer goods companies. Additionally, EOS now see wider gender and ethnic diversity improvements on the board and at its most senior executive management level.

In line with EOS' engagement, the company has set a deadline of 2040 to become net zero across its operations. EOS are also pleased to see a ban on executives being able to make hedging transactions against share-based equity awards and the implementation of a clawback policy.

There is still a lot of work to be done, and so EOS continue to have dialogue with the company in a number of areas. They have welcomed the company's greater willingness to engage with them and other stakeholders recently. Therefore, EOS hold a positive outlook on the company's ability to respond commensurately to the size of the challenges, while remaining a market leader in retail convenience and value.

28. CDP

PRINCIPLE 10

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

As a steward of our clients' assets, we continuously work with our fund managers, data providers and stewardship providers to look to influence and drive change. We influence fund managers by clearly stating our expectations and own approach to Responsible Investing, and we support them where necessary on their own journey. As mentioned in Principle 7, an example of this is one of our third-party fund managers that was not looking at incorporating a net zero ambition and we are worked with them to demonstrate the importance of net zero shared our approach and commitments.

We are signatories, advocates and participants of Climate Action 100+, which is an initiative led by over 700 asset managers and asset owners to engage with the world's largest corporate greenhouse gas emitters to improve their climate performance and ensure transparent disclosure of emissions. Since joining, we have been collaboratively engaging with companies and encouraging all asset managers that we work with to join the initiative and will seek justification when asset managers are not involved in CA100+ or similar initiatives. Engagement objectives are defined and tracked for the company that we are engaging with. We highlight our progress and activity in articles that we publish on our website. Meanwhile our stewardship provider, EOS, has taken a particularly active role within the initiative, leading engagement initiatives for 24 companies.

Complementary to our engagement in Climate Action 100+, we work with other asset managers to improve their ownership practices by having ongoing conversations on this topic and sharing best practice. Our Responsible Investing due diligence questionnaire, as mentioned in Principle 7 details the expectations we set out for the asset managers that we work with, and this serves as a guide throughout our engagement.

In addition to reporting to the PRI on a yearly basis, we are also active participants in their roundtables, forums and conversations. We have also joined the institutional Investors Group on Climate Change (IIGCC) and net zero Asset Managers Initiative and have attended workshops and joined working groups where we can share best practice and collaborate with fellow investors.

We actively support the development of transparency and good reporting from companies and of the integration of ESG in investment decision-making processes by engaging with other bodies with similar goals. For example, our parent company NatWest Group is a member of the UK Sustainable Investment and Finance Association (UKSIF), and we engage regularly with industry bodies and working groups in this developing sector.

Example (EOS) – CA100+ – Net Zero Commitment

Air Liquide – published March 2022

EOS at Federated Hermes has been engaging with Air Liquide since 2009 on a range of issues, including sustainability, remuneration and board effectiveness.

EOS have co-led the Climate Action 100+ (CA100+) engagement with Air Liquide since 2018 and have met with the head of sustainability and the head of investor relations in 2018, 2019 and 2020. EOS asked the company to start reporting against the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), to make a public long-term commitment for the achievement of net zero emissions across its entire value chain, and to set science-based targets.

EOS escalated their engagement in 2021, ahead of an update on the sustainability strategy. EOS asked for greater disclosure on the significant categories of Scope 3 emissions, for an explanation of how the company contributes to emissions avoided for its customers, and for a quantitative ambition in the low carbon markets that support the energy transition.

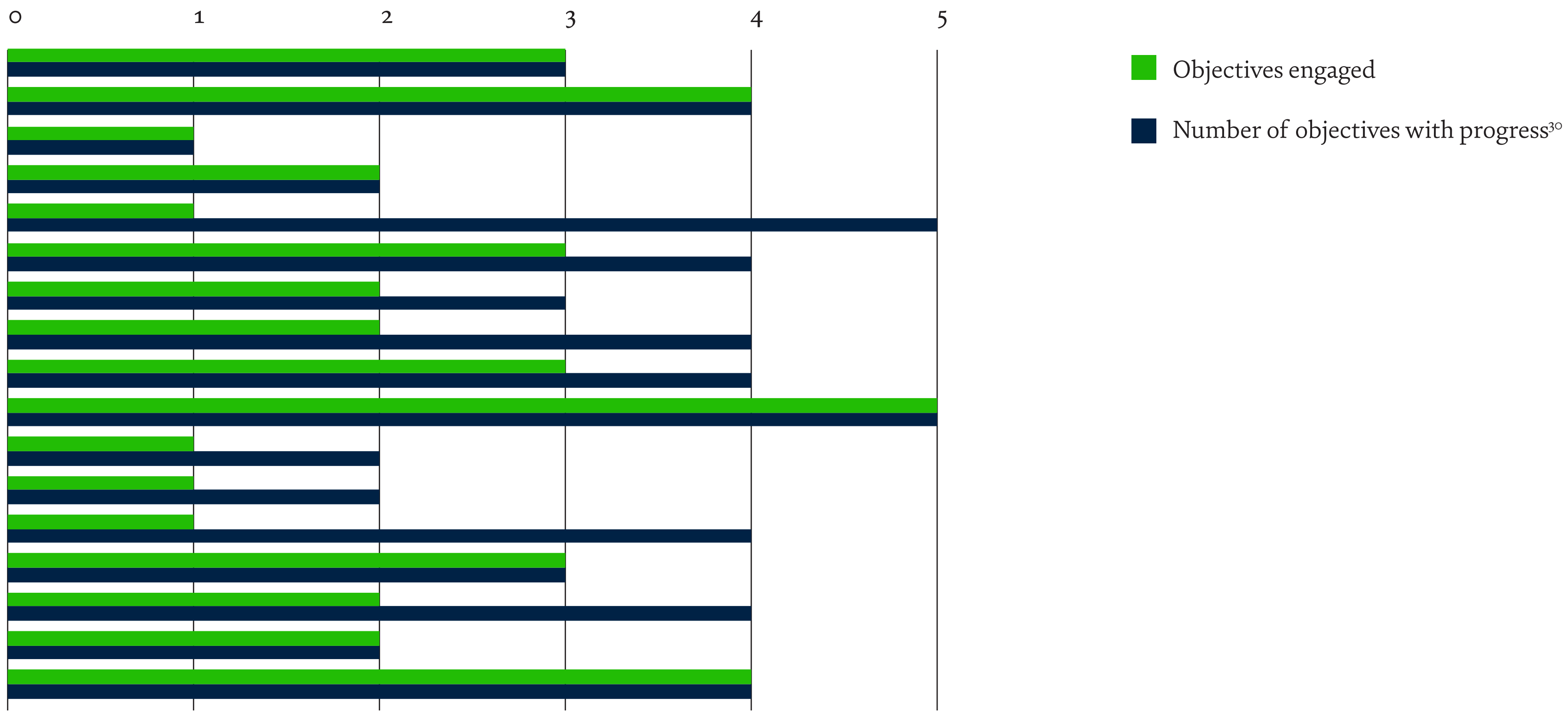
During its sustainability strategy day in March 2021, EOS were pleased that the company committed to achieve carbon neutrality by 2050. Additional information on the significant categories of Scope 3 emissions was also provided.

Since Scope 3 emissions represent approximately 40% of the company's total emissions, EOS continued to press for a long-term goal across the entire value chain with interim targets. Air Liquide expects that the engagement with the Science-Based Targets Initiative on chemical sector Sector Decarbonization Approach (SDA)[29] development will bring robust methods around which Scope 3 commitments can be made. EOS also continue to press for enhanced reporting to align with TCFD reporting recommendations and with the CA100+ net zero benchmark.

29. Science Based Targets - Sectoral Decarbonization Approach Report

PROGRESS OF ENVIRONMENTAL OBJECTIVES FOR SELECTED CA100+ COMPANIES ENGAGED BY EOS, 2022

Company name	EOS sector	Participation
Mercedes-Benz Group	Automobiles	Lead
Bayerische Motoren Werke	Automobiles	Co-lead
Volkswagen	Automobiles	Co-lead
Dow	Chemicals	Co-lead
Walmart	Food, beverages and Forestry	Co-lead
Hon Hai Precision Industry	Industrials	Co-lead
POSCO Holdings	Mining and metals	Co-lead
BP	Oil and Gas	Co-lead
Chevron	Oil and Gas	Co-lead
Kinder Morgan	Oil and Gas	Co-lead
PetroChina	Oil and Gas	Co-lead
Peroleos Mexicanos	Oil and Gas	Co-lead
Total Energies	Oil and Gas	Co-lead
Enbridge	Oil and Gas	Support
Ap Moller - Maersk	Transportation	Co-lead
Stellantis	Transportation	Co-lead
Lockheed Martin	Transportation	Support



Source: EOS data

Example (EOS) – Starbucks – published March 2022

Single-use packaging can create financial, regulatory and reputational risks for consumer goods investors.

That's why, ahead of Starbucks' 2019 annual meeting, EOS informed the company of their recommended support for a shareholder proposal on sustainable packaging. This was due to their concerns regarding the long-range impacts of the continued growth in use of plastics and materials without significant changes in how packaging is used by companies and consumers.

EOS co-signed a letter with investors in the Plastics Solutions Investor Alliance, asking the company to engage in expanded dialogue on the problem of plastic pollution and, further, to expand its reusable containers and recycling practices at its stores.

In Q2 2019, the company acknowledged the increasing regulatory risks of plastic packaging across its global footprint and shared its intentions to establish a wider range of impact-based goals for packaging, plastics, cup re-use and waste diversion. It published its resource-positive ambition in Q1 2020. EOS welcomed its 2030 sustainability commitment for a 50% reduction in waste, emissions and water, including a focus on increasing recycled content in plastic packaging.

In 2021, the company published its 2025 targets to tackle plastic packaging and accelerate a transition to a circular economy. Through its Ellen MacArthur Foundation New Plastics Economy Global Commitment, the company pledged to use 5-10% recycled content across all plastic packaging by 2025 and to take action for 100% of plastic packaging to be reusable, recyclable or compostable by 2025.

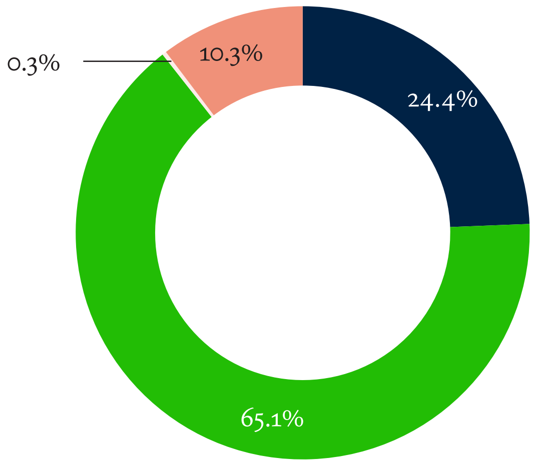
These commitments were a positive step towards our sustainable packaging expectations. EOS will continue to follow the company's progress against packaging and culture metrics. Additionally, EOS will prioritise future engagement on the nexus of biodiversity and climate change issues.

30. Annual review 2022 (page 16)

SHAREHOLDER PROPOSAL VOTING SUMMARY (2022)

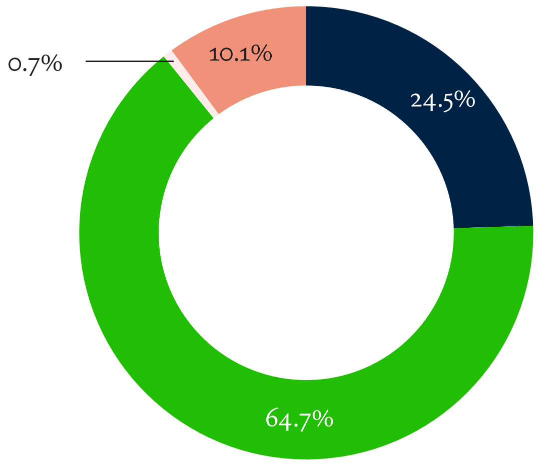
Global

EOS made voting recommendations at **751** meetings (**12,157** resolutions) over the last year.



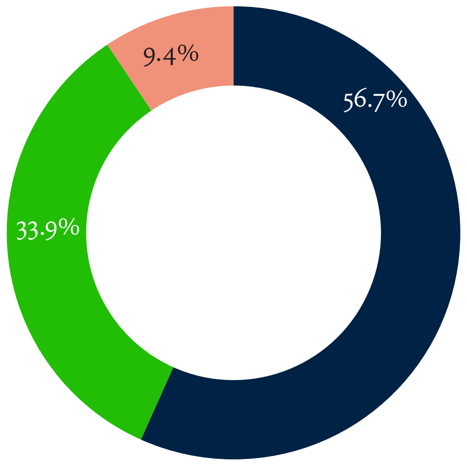
Europe

EOS made voting recommendations at **286** meetings (**5,380** resolutions) over the last year.



United Kingdom

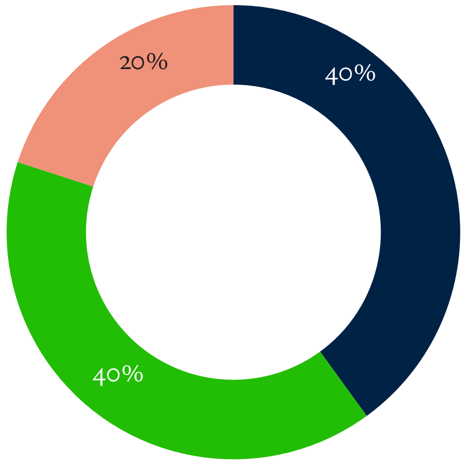
EOS made voting recommendations at **127** meetings (**2,379** resolutions) over the last year.



- Total meetings in favour
- Meetings against (or against AND abstain)
- Meetings abstained
- Meetings with management by exception[31]

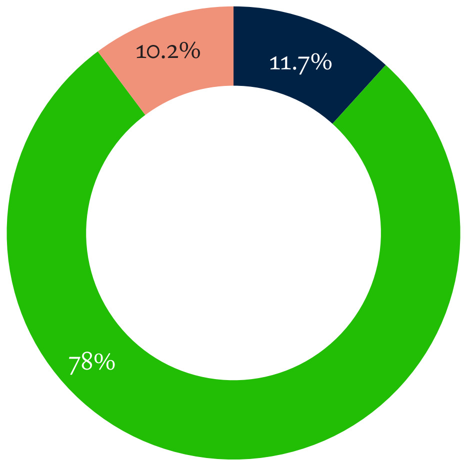
Emerging and Frontier Markets

EOS made voting recommendations at **5** meetings (**63** resolutions) over the last year.



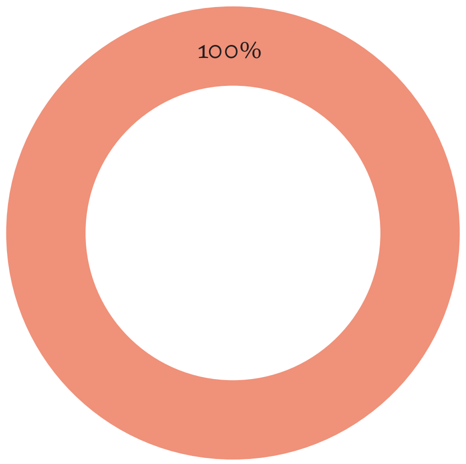
North America

EOS made voting recommendations at **332** meetings (**4,321** resolutions) over the last year.



Australia and New Zealand

EOS made voting recommendations at **1** meeting (**14** resolutions) over the last year.



31. This refers to cases where EOS would typically have recommended to vote against a policy, but due to active engagement with the company, they have voted in line with the company's management.

PRINCIPLE 11

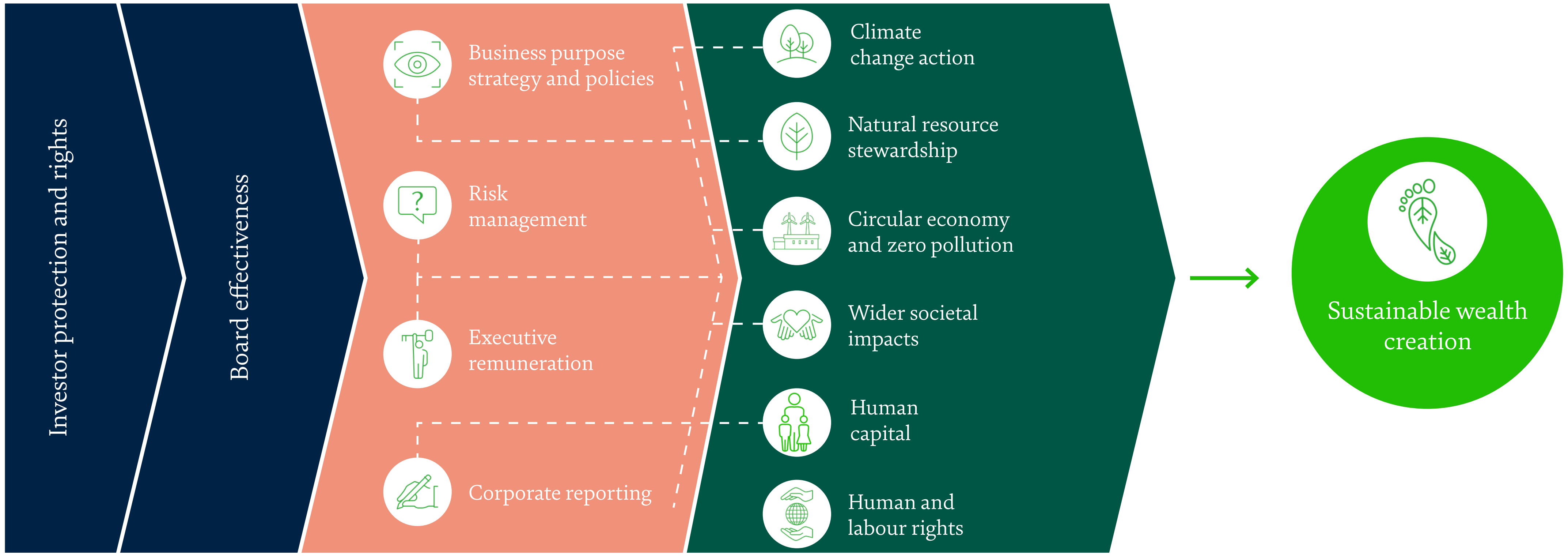
Signatories, where necessary, escalate stewardship activities to influence issuers.

Our Responsible Investing Policy outlines clearly what we expect of third-party funds and listed companies and what they can expect of us. Together with our Responsible Investing questionnaire, they set out our expectations and form the basis of engagements with funds and companies on a wide range of issues, including investor communications, corporate culture, operations, strategy, financial structure and disciplines, risk management and oversight, sustainability and governance. They also explain what funds and companies can expect from us and set out what we regard as responsible ownership. Specifically, for third-party funds we have set out clear expectations for fund managers around the identification and management of material ESG risks. Where risk is deemed significant, we expect this to be escalated through active engagement with the Board.

We also actively encourage the asset managers that we invest in to have robust stewardship activity. We request engagement data and review case studies to understand the impact that their engagement activity is having in driving positive change. This enables us to identify those that are failing to perform, whether in terms of immediate financial returns or in terms of failure to adequately manage risks or relationships that may destroy value over the long term. It is those which will receive our greatest attention and are likely to be ones with which we engage most intensively.

As detailed in Principle 2, we delegate engagement of our holdings within the Coutts managed funds to EOS at Federated Hermes. Every year EOS publishes an Engagement Plan, which details their engagement priority areas as directed by their clients, including Coutts, during their annual meetings. The plan is available on our website. The themes identified below are the focus of the 2023-2025 Engagement Plan, EOS develops engagement strategies specific to each company, informed by its deep understanding across sectors, themes and markets. It seeks to address the most material ESG risks and opportunities, through long-term, constructive, objectives-driven, and continuous dialogue at the board and senior executive level, which has proven to be effective over time. All throughout the engagement process, EOS seeks long-term outcomes at the individual company level and, more broadly, an improvement of public policy and market best practice.

EOS'S ENGAGEMENT THEMES



We will escalate engagements where funds are not receptive to engagement, no progress is being made or progress is too slow. In this case, we will attempt engagement at a more senior level and seek answers to our previously raised questions that way

Our stewardship provider, EOS, equally has an approach to escalating engagement. While most engagement takes the form of confidential one-on-one discussions with a company, as this helps develop a relationship based on mutual trust while jointly exploring solutions, at times it does not yield results quickly enough, particularly if management has entrenched views against progress in a particular area. In such cases, EOS can employ different engagement techniques. Escalations include attempting engagement at a more senior level, letters to the board of directors, collaborating with investors or other stakeholders, questions or statements at annual meetings, recommending votes against annual meeting items, shareholder resolutions or open letters. EOS provides regular reporting that includes updates on escalated reporting.

In our third-party fund investments, our main way of escalating engagement is talking to the fund manager and other relevant stakeholders at the fund house (such as the Head of Responsible Investing).

Example – Escalate concerns to fund manager

Before introducing any new exclusions to our Coutts managed funds we will engage with the fund managers who manage our funds on how they will be able to deliver a suitable outcome for our clients. We expect managers to be able to achieve the same performance objectives while abiding by our exclusionary criteria. For those managers who indicate they are unable to meet these objectives we can review their suitability for our funds.

PRINCIPLE 12

Signatories actively exercise their rights and responsibilities.

2022 Progress Example – our voting and engagement stats

In 2022, we voted on 12,013 resolutions and engaged with more than 267 companies on ESG topics. Approximately 25% of engagements focused on climate-related topics such as net zero targets and disclosures.

Listed equity – our voting policy

Within our Coutts funds, we will exercise our voting rights in line with our Coutts house view where possible. We do not offer our clients the ability to tailor the voting on their holdings, whether these are held directly, in third- party funds or in Coutts funds. Our Voting Policy is publicly available on our website and reflects the Coutts house view on ESG. This document details how our voting differs depending on our routes-to-market.

Third-party funds make up about 30% of our funds and portfolios. Where we invest in third-party funds, we request their voting policy, as well as examples of recent voting and engagement activity. We also share our Responsible Investing Policy and Voting Policy with the fund managers to inform them of our own expectations. As voting and engagement activity is performed by third-party fund managers, we rely on them to set their own policies. However, reviewing these and assessing their effectiveness is one of the key parts of our regular review process that we carry out for all funds we invest in, and we require all fund managers to disclose their voting activity, allowing us to monitor their voting.

We use proxy advisers to inform our voting activity. While we have visibility on ISS voting guidance, EOS provides us with voting recommendations based on our Responsible Ownership policy, and flags specific cases where they think their members might not want to vote in line with their recommendation. While we are able to override recommendations, there are few instances in which we would do so, as the recommendations provided reflect our voting policy. Where this does occur we document the rationale for deviating from our voting policy and complete our prescribed approvals process.

Example – Overriding Voting Recommendation

A situation in which we may override a voting recommendation provided by EOS is in relation to voting on closed-ended investment funds. EOS' default recommendation is to vote against any significant increases to shares outstanding as this dilutes the holdings of existing shareholders. However, on at least one occasion, funds have asked us to support proposals to increase the shares in issue to help improve trading liquidity, which is in our interest too. The latest example of this was in April 2019, when we voted against EOS recommendations in relation to the UK Commercial Property REIT.

We have voting power for the shares held within our Coutts funds, which make up approx. 60% of our funds and portfolios. EOS provides voting recommendations for all equity holdings within our Coutts funds, tailoring their voting recommendations based on local governance standards and culture. Our Coutts funds currently cover the following geographic areas: North America, the United Kingdom and Europe. In terms of engagement we do not distinguish between equity and fixed income investments, which is why EOS will engage on our Global Investment Grade fund in addition to the aforementioned Coutts equity funds.

Listed equity – monitoring voting rights

The shares within our Coutts funds are monitored by Blackrock, who provide information on shares and voting rights to EOS. EOS in turn provides voting recommendations for these shares based on our voting policy, allowing us to effectively exercise our voting rights. Where we invest in third-party funds, we expect fund managers to actively monitor their shares and exercise the associated voting rights.

Listed equity – stock lending

Where the third-party funds that we are invested in are involved in securities lending, we advise them that while we understand the economic rationale behind this decision, we believe that when the issue at stake is sufficiently material, a policy should be in place that allows for the recall of shares to ensure the votes are cast.

Within our Coutts funds, which make up approximately 60% of our funds and portfolios, we will not lend in excess of 45% of the shares at any time, allowing us to maintain the majority of our voting ability. Where issues arise that could have a material impact on either the financial performance or ESG performance of a company, we can recall the remaining shares to strengthen our voting activity.

Listed equity – our 2022 voting activity

In 2022 we voted at 751 companies on 12,157 resolutions. EOS provides our full voting and engagement records, these are also available on coutts.com.

We aim to vote either in favour or against a resolution and will only abstain in exceptional circumstances such as where our vote is conflicted, a resolution is to be withdrawn, or there is insufficient information upon which to base a decision.

We expect our third-party fund managers to carry out voting in line with their stewardship policy and will review this on a yearly basis. We currently do not have any aggregate voting data available.

Example (EOS) – Prudential

EOS raised concerns with Prudential over an executive culture that prioritises short-termism and the management of share price over the priorities of long-term shareholders, through its payment executive plan. While welcoming the company's reduced reliance on options in 2019, EOS indicated best practice would be to prevent vesting for at least three years or to eliminate options from the compensation scheme.

In 2020, EOS recommended voting against pay policy. In October 2020 they explained their remuneration principles to further underline the dangers of short-term option vesting.

In February 2022, EOS sent Prudential their updated US Corporate Governance Principles and a cover letter highlighting their expectations related to executive pay, amongst other areas.

Ahead of the 2021 annual shareholder meeting, EOS shared that positive adjustments made to the remuneration policy warranted EOS to recommend support, however EOS noted continued concern associated with short-term option vesting. Ahead of the 2022 annual shareholder meeting, the company indicated that it had eliminated the use of options within the long-term incentive plan and stated that this was in part due to consistent engagement with EOS in previous years.

EOS continue to engage other aspects of executive remuneration, including the company's effort to determine how its climate commitments may be woven into the compensation scheme.

Fixed income

While most of our bond exposure is through third-party bond funds, we have a small exposure to direct fixed income. When considering investments, Coutts will review the transaction documents and prospectus in detail, although this is more relevant for tender offers/corporate actions and primary issuance. Our data providers will typically highlight any meaningful issues of impairment rights. We currently do not seek amendments to terms and conditions in contracts or seek access to trust deed information.

Our approach to stewardship differs between our equity and fixed income holdings insofar as we do not have any voting rights to exercise within our fixed income holdings. However, we do not distinguish between equity and fixed income when it comes to engagement. This means that we set the same expectations for fixed income and equity third-party funds and work with EOS to engage on all Coutts funds (regardless of whether they are equity or fixed income funds). Our fixed income third-party fund managers must complete the same due diligence process as equity funds (through our Responsible Investing questionnaire).

Within fixed income holdings we are aware of the differences in engagement with companies (both in developed and emerging markets) and with governments, and we take this into consideration when assessing the effectiveness of fund managers' engagement activities. EOS applies its regional corporate governance principles[32] which set out their standards for engagement based on geographies.

Example (EOS) – regional approach on board independence

EOS tailors its expectations for companies depending on local regulations and standards, and balances this with the expectations of its clients. For example, in Germany, EOS will require the majority of the board to be independent, while in Mainland China they will expect at least a third of the board to be independent, in line with local regulations and customs. This approach enables more effective stewardship on key issues.

Example (EOS) – BNP Paribas

In July 2021 EOS raised concerns with BNP Paribas, Europe's second largest banking group, on their progress with helping clients exit thermal coal investments. The bank had previously committed to exiting thermal coal investment worldwide by 2040.

In June 2022, BNP Paribas published its climate alignments analytic report and its latest Task Force on Climate-related Financial Disclosures (TCFD) report. Here, it clearly stated interim targets to reduce thermal coal as a percentage of its loan portfolio from 10% in 2020 to 5% in 2025. It is demonstrating progress, with coal representing c.8% of the company's loan portfolio in the power generation sector as at 31/12/2021. In addition, the company announced in 2022 that it would no longer accept any new customers earning more than 25% of their revenue from thermal coal, developing new coal-fired electricity generation capacities, or developing new thermal coal extraction projects.

EOS will continue to review this issue over the coming years and expect BNP Paribas to report annually on progress towards exiting its involvement with thermal coal.

32. Hermes Investment - EOS Stewardship

IMPORTANT INFORMATION

This document is a financial promotion for UK regulatory purposes.

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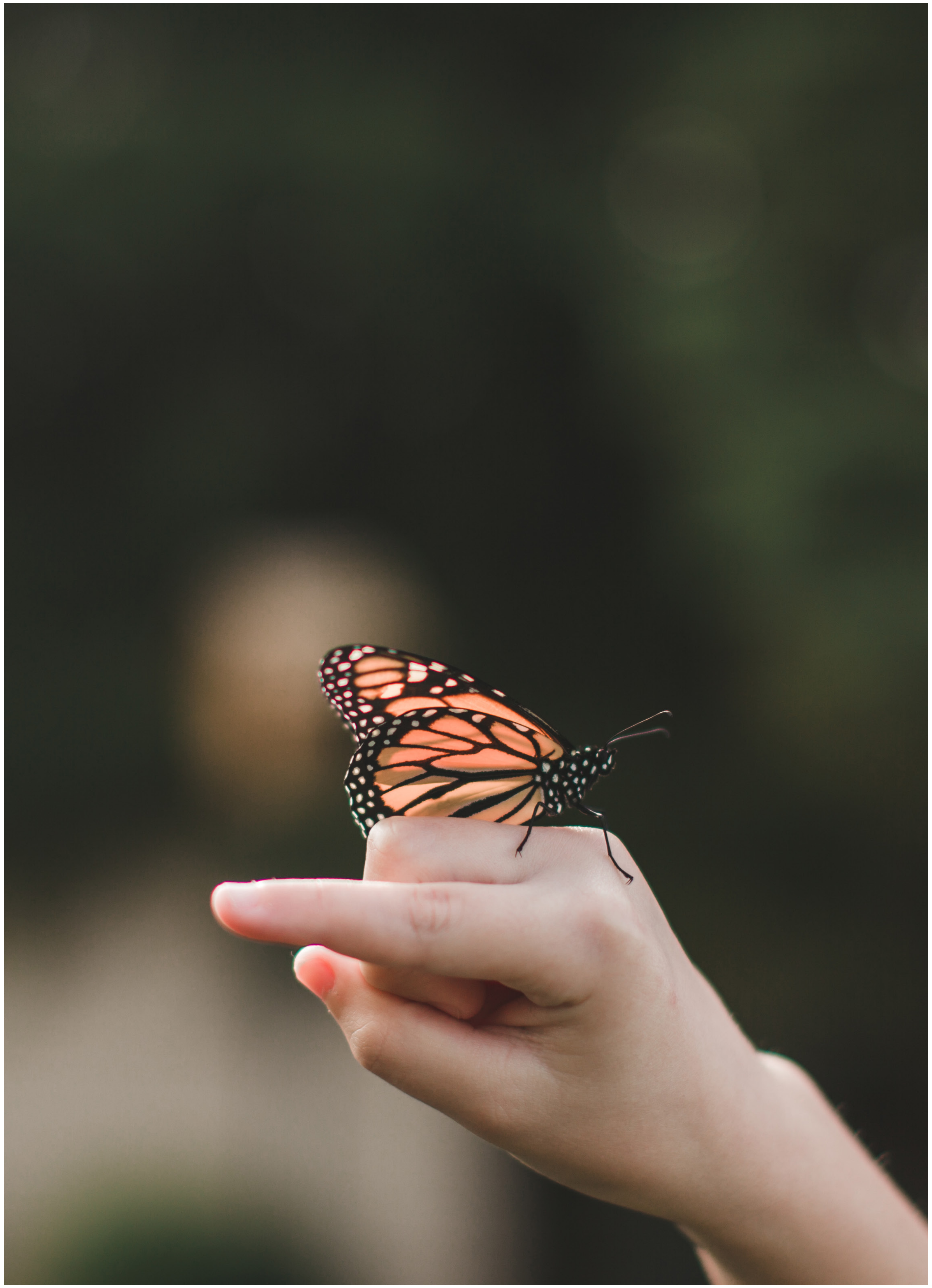

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