



THIRD-PARTY MANAGED FUNDS RESPONSIBLE INVESTING POLICY

Coutts

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At Coutts responsible investing is one of the three main pillars that collectively underpin our investment process, along with managing risk and managing costs.

We believe that responsible corporate behaviour with respect to environmental, social and governance (ESG) factors can generally have a positive influence on long-term financial performance. We therefore recognise that a broad range of financial and non-financial considerations may be relevant in making investment decisions.

This policy sets out how Coutts integrates responsible investing practises when selecting third-party managed funds, and the role of our dedicated fund research team, working alongside our responsible investing team. We define a third-party managed fund as one that is actively managed externally – With the external fund manager defining the investment strategy, process and philosophy.

1. METHODOLOGY

Every active third-party fund that we consider for inclusion within our portfolio 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 & 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 opine if a fund meets our requirements for investment.

Responsible investing is one of the key factors assessed by the team in the due diligence phase and it has been since 2016. 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. We require all fund managers to complete our Responsible Investing questionnaire which included a Net Zero checklist, which forms the basis of our engagement with them throughout our investment in their fund.

Our approach encompasses areas such as:

- Firm level Responsible Investing Policy and ESG commitments, including Net Zero approach
- Alignment with science-based targets
- 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
- Disclosure of financed emissions and progression against 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

Our responsible investing framework is evidence-driven and forward looking. Our aim is to ensure that the third-party fund managers we invest with are truly 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.

2. COUTTS MANAGED FUNDS

In 2020 we announced our strategic partnership with BlackRock and currently have 9 funds:

- Coutts Actively Managed UK Equity Fund
- Coutts Actively Managed US Equity Fund
- Coutts Actively Managed Global Investment Grade Credit Fund
- Coutts UK ESG Insights Equity Fund
- Coutts US ESG Insights Equity Fund
- Coutts Europe ex-UK ESG Insights Equity Fund
- Coutts US and Canada Enhanced Index Government Bond Fund
- Coutts Japan Enhanced Index Government Bond Fund
- Coutts Europe Enhanced Index Government Bond Fund

We work to ensure that these new funds are aligned to our house view regarding responsible investing, and have applied in certain funds customised benchmarks to that end. The benchmarks take into account our ESG-related exclusion policy and differ from the parent index by excluding companies that violate our policy.

See further details in our ESG-related exclusion policy, available on [coutts.com/responsible investing](https://www.coutts.com/responsible-investing)

3. VOTING AND ENGAGEMENT

We take our obligations and duties as a responsible investor seriously. This means that we monitor, engage and influence those companies in which we invest.

We have partnered with EOS at Federated Hermes who act on our behalf, as well as representing other asset managers and asset owners, to engage and vote on over \$1.34 trillion of assets under advice (31st December 2022). We have chosen EOS as our partner as they have a wealth of experience in voting and engagement and are able to dedicate teams and resources to their engagement plans. We believe that this approach will provide better client outcomes as EOS can focus their attention on specific areas and pool their assets under advice to exert a greater influence and, ultimately, achieve a better outcome.

Where we are invested in third-party funds, we are unable to directly engage or vote on the underlying companies held by the fund. Instead, we have regular dialogue with the external fund managers. We engage with them on both firm-level matters, such as climate change, human rights, board diversity, risk management and executive remuneration, and fund-level interests, such as exclusionary policies and overall ESG integration into the fund investment process. We also assess and monitor the fund's engagement activities with its underlying securities.

See further details in our voting and engagement policy available on [coutts.com](https://www.coutts.com)

For more information on our investment exclusions please contact your private banker or wealth manager, or visit [coutts.com/responsible investing](https://www.coutts.com/responsible-investing)

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