



COUTTS VOTING & ENGAGEMENT POLICY

Coutts

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1. POLICY OVERVIEW

The purpose of this policy document is to set out and explain the Coutts approach to voting and engagement (Stewardship). This policy applies to our funds and discretionary portfolios.

Stewardship, which is the act of voting (where equity shares are held in a company) and engaging (where we engage with companies or asset managers around material risks and opportunities), is integral to our investment process, representing two methods by which we influence and communicate with companies. We believe voting and engagement are inherently connected to our commitment to be a responsible investor. Additionally, stewardship increases our comprehension of a company through better reporting, tracking of progress against strategic goals and understanding of positioning against industry peers.

Coutts funds and portfolios invest in custom-built funds and third-party funds; they can also invest directly in equities and fixed income securities (see 'Figure 1' below). The voting and engagement approach is different for each channel and is explained within this policy.

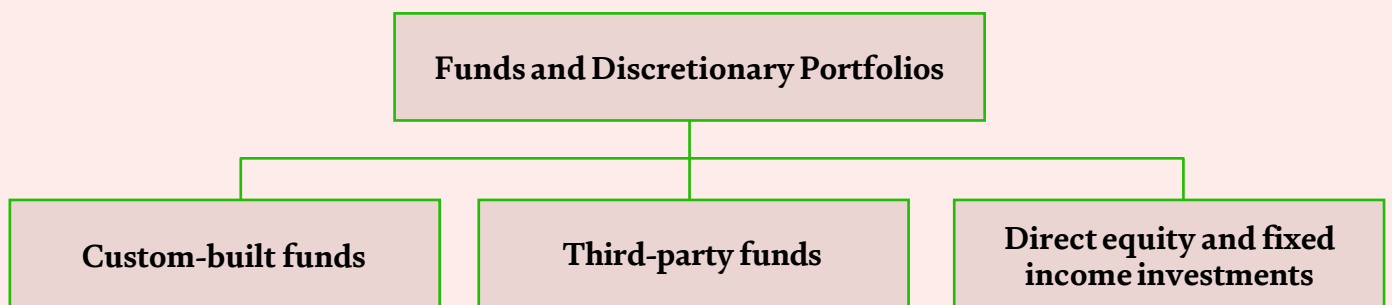


Figure 1: Funds and Discretionary Portfolios Investment Approach

Scope

While this voting policy applies to all our discretionary funds and portfolios, its implementation may differ depending on the product and approach. We are not able to vote and engage on all of our custom-built funds due to the underlying securities held within them. Voting does not take place on fixed income investments.

2. VOTING APPROACH FOR CUSTOM-BUILT FUNDS

Our discretionary portfolios and funds have exposure to our custom-built funds which are managed by our strategic partners but follow our own Responsible Investing Policy.

Voting recommendations for holdings within these funds are provided by EOS at Federated Hermes (EOS) based on the voting policy outlined in the [EOS Voting Guidelines](#). We use EOS for our voting recommendations and engagement. They are one of the world's largest stewardship service providers representing client assets of US\$2.1 trillion¹. We have selected EOS because of their expertise, experience, and ability to provide voting and engagement recommendations in line with our own approach to responsible investing. Additionally, their voting recommendations are often engagement-led and involve communicating with company management and boards around the vote.

We can vote against the proposed recommendation put forward by EOS. In this event, we would amend our vote and record the rationale internally.

Note, the new custom-built fund with J.P. Morgan, Coutts Diversifying Alternatives Multi-Manager Fund, does not currently use EOS for voting and engagement. Presently, this fund currently only makes up a small proportion of our overall total assets held within custom-build funds.

We publish annual and quarterly overviews of all voting and engagement which has taken place, including where we have chosen to amend our vote. These can be found on our [disclosures page](#) on [coutts.com](https://www.coutts.com).

3. VOTING APPROACH FOR THIRD-PARTY FUNDS

Our discretionary funds and portfolios may have exposure to externally managed, third-party funds. Here the responsibility to vote and engage on the underlying holdings rests with the third-party fund manager. While this means that our voting policy is not directly applicable, we maintain oversight of the fund managers as part of our third-party fund due diligence process. We also challenge fund managers on their voting and engagement policies if we feel they are not sufficiently demonstrating their active ownership responsibilities.

4. VOTING APPROACH FOR DIRECT EQUITY

We currently do not vote on direct holdings held within our discretionary funds and portfolios. While we remain committed to exercising our voting powers on behalf of our clients, we believe that the increased costs and complexities associated with enabling voting within discretionary portfolios would not serve the best interest of our clients.

An exception to this is the UK Equity Fund where EOS may provide voting recommendations on the underlying direct equity holdings.

¹ As of 30 September 2024

5. VOTING APPROACH TO SECURITIES LENDING

What is it?

Securities lending is the process whereby securities can be lent to approved borrowers in exchange for a fee. Allowing this to take place benefits our clients, who could potentially see increased returns on their investments. However, this process can, at times, limit our ability to exercise our voting rights as detailed in this policy. For externally managed third-party funds, the fund managers are responsible for the securities lending.

Our approach

While we have decided to allow securities lending to occur within our custom-built Coutts ESG Insights funds and Government Bond funds, we have put in place several conditions to ensure our ability to vote on these securities is not compromised:

- a. Coutts has instructed its strategic partner, BlackRock, to limit the number of shares that can be lent out at a time to a maximum of 50% of total shares. This ensures that we always retain a reasonable proportion of our voting-eligible shares and can, therefore, continue to exercise our rights to vote as asset owners.
- b. Coutts also sets the condition that only those on an approved third-party borrowers list can have access to Coutts securities. That list is compiled and approved by us and maintained by the strategic partner and is reviewed annually.

When securities are lent out (like stocks or bonds) to another party, we require the borrower to provide collateral (a form of security like a deposit or guarantee). The collateral acts as a safety net, ensuring that if the borrower fails to return the borrowed securities, we can sell the collateral to recover their value. As part of this, ESG screens are applied to the collateral, similar to how we screen out activities within our exclusion policy, and this is done for all custom-built funds that have securities lending enabled through our strategic partner, BlackRock.

6. SHAREBLOCKING VOTING LIMITATIONS

What is it?

Share-blocking occurs when equity holdings are blocked from trading during a company's annual meeting. The share-blocking period typically lasts from a few days to two weeks. During this time, no equity holdings can be sold without going through a formal process to unlock them.

Our approach

To maintain liquidity, Coutts may, at times, refrain from voting if we believe that this could potentially restrict our ability to sell out of a particular equity holding within a certain period. However, as we are committed to holding the right to vote and engage, we will ensure that we retain our ability to vote on the majority of our holdings within a company.

7. ENGAGEMENT

We apply a four-fold voting and engagement approach:

a. Custom-built funds

We use EOS within our custom-built funds to provide voting recommendations and engage on our behalf where possible (excluding the Coutts Diversifying Alternatives Multi-Manager Fund). EOS have more than \$2.1 trillion in assets under advice and carry out active engagement efforts for many companies. This allows us to aggregate our holding exposure, providing an opportunity for more efficient engagement across the companies we invest in. Engagement happens across four main themes:

- i. Environmental.
- ii. Social.
- iii. Governance.
- iv. Strategy, Risk and Communications.

b. Third-party funds

Company engagement and voting is the responsibility of the respective fund managers. We have ongoing communication with fund managers to retain oversight and to ensure their policies are acceptable. We ask for voting and engagement records to understand how and where they have engaged and voted against management. This is part of our overarching Responsible Investing framework as detailed below.

Methodology

Every third-party fund that is considered 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 factors assessed by the team in the due diligence phase. As part of our continued commitment to responsible investing, we have developed our own responsible investing questionnaire which we require all fund managers to complete, reflecting the importance of our ESG considerations. Their responses then inform our ad-hoc engagement approach with the third-party fund managers.

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 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.

c. Direct equities

We currently do not engage with direct holdings held within our discretionary funds and portfolios because they might be held in a pooled nominee account, which offers cost and liquidity benefits to our clients.

An exception to this is the UK Equity Fund where EOS may engage on the underlying direct equity holdings.

d. Collective engagement

We participate in several investor-led initiatives to support the transition to a net-zero economy including Climate Action 100+ and the Net Zero Asset Managers initiative. We believe that collective engagement can provide companies with clarity on broader investor priorities, which supplements the effectiveness of our individual engagements.

We have been a signatory of the UK Stewardship Code since 2016 and comply with the 2020 UK Stewardship Code which provides further details on our stewardship approach and can be found on [coutts.com](https://www.coutts.com) alongside our voting and engagement activity which is published on a quarterly basis.

8. FURTHER INFORMATION

For more information on our approach to stewardship and compliance with the 2020 UK Stewardship Code, please see the Coutts [Stewardship Policy](#) which is available on our [policies and disclosures](#) page. The EOS at Federated Hermes global Voting guidelines can also be found [here](#).

For any other queries, please contact your private banker or wealth manager.

Last Updated: December 2024