ESG-RELATED EXCLUSIONS POLICY

Coutts

This policy sets out the investment exclusions applied by Coutts. As a responsible investor Coutts has taken the decision to implement an ESG-related exclusions policy 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 the exclusions we have applied and where they are applicable across our portfolios:

	Coutts Passive Funds (Blackrock Managed)[1]	Coutts Active Funds (Blackrock Managed)[2]	Coutts-Direct Securities[3]
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	✓		✓
Unconventional Oil/Gas	✓		✓

[1] Coutts US ESG Insights Equity Fund, Coutts Europe Ex UK ESG Insights Equity Fund & Coutts UK ESG Insights Equity Fund
[2] Coutts Actively Managed Global Investment Grade Credit, Coutts Actively Managed US Equity Fund & Coutts Actively Managed UK Equity
[3] Direct Securities are managed by the Coutts Direct Equity team across various portfolios

FOSSIL FUEL-RELATED EXCLUSIONS

<table>
<tr><th>Exclusion</th><th>Definition</th><th>Rationale</th><th>Revenue Threshold[4]</th></tr>
<tr><td>Thermal Coal Extraction</td><td>Thermal coal extraction refers to the mining of coal either through surface or underground mining. Thermal coal is one of the principal sources of energy and is mainly used for the generation of heat and electricity.</td><td rowspan="2">Thermal coal generates some of the highest levels of CO_2 emissions compared to the energy it produces. It also has significant effects on the environment (air pollution, water pollution, contribution to global warming) and the typical use of chemicals and explosives poses significant health and safety risks for mine workers. While demand for coal is expected to rise, there is consensus among scientists that, to limit global warming to below 2°C, a drastic phase-out of (thermal) coal will be required. Countries in both developed and developing regions have already put in place regulations to limit the amount of coal used in power stations, and this restriction is expected to rise materially in the short term.</td><td>5%</td></tr>
<tr><td>Thermal Coal Energy Generation</td><td>Energy is generated by burning thermal coal in power stations to generate electricity. During the process coal is ground to a powder and fired into boilers to produce steam, which drives turbines to produce electricity.</td><td>25%</td></tr>
<tr><td>Tar Sands</td><td>Tar sands, also known as oil sands, are a mixture of clay, sand, water and bitumen that are mined and refined into oil.</td><td>This method of extraction is significantly less efficient and more damaging to the environment than extracting and refining liquid oil. Crude oil from tar sands emits 14-20% more greenhouse gases than conventional oil. It also has a negative impact on biodiversity and air quality.</td><td>5%</td></tr>
</table>

[4] The revenue threshold refers to the maximum acceptable percentage of estimated revenue derived from the specified activities. For example, we will not invest in a company that derives more than 5% of its revenue from thermal coal extraction.

Arctic Oil or Gas Production	Arctic production refers to drilling for oil or gas in the Arctic region. This is evaluated based on whether or not a company holds at least one licence or permit for drilling within the Arctic offshore region.	We believe that oil and gas production from the Arctic (including the Arctic National Wildlife Refuge and Antarctic areas) is inherently unsustainable and is not in line with the commitments set out in the Paris Agreement. Extreme conditions and the high degree of unpredictability increase the danger of irreparable damage to the planet's ecosystem. Damage inflicted on Arctic ice and tundra would also cause a release of carbon at a materially higher rate than on other continents.	5%
Unconventional Oil & Gas	Refers to shale oil & gas, oil sands production, production related to hydrocarbon liquids and gas found in conventional reservoirs, but extracted using unconventional drilling techniques (i.e., horizontal drilling, hydraulic fracking etc.). It also includes any other kind of production activity classified by the company as unconventional oil & gas production.	The unconventional oil and gas method of extraction can be more harmful to the environment than "conventional" methods as they can require the use of hydraulic fracturing "fracking" which can lead to increased risks of earthquakes and tremors, water contamination and high-water usage. In Addition, research has also shown that large amounts of methane gas are released from shale gas wells. Methane is 25 times as potent as carbon dioxide at trapping heat in our atmosphere.	5%

CONTROVERSIAL & NUCLEAR WEAPONS

As per our policy, we will not invest in the following:

<table>
<tr><th>Exclusion</th><th>Definition</th><th>Rationale</th><th>Criteria[5]</th></tr>
<tr><td>Controversial Weapons</td><td>Companies with any tie to Controversial Weapons (including cluster munitions, landmines, depleted uranium weapons, biological/chemicals weapons, blinding lasers, non-detectable fragments and incendiary weapons) as defined by the methodology of the MSCI Ex-Controversial Weapons Indices available at MSCI Global ex Controversial Weapons Indexes Methodology</td><td rowspan="6">Controversial weapons and Nuclear weapons have an indiscriminative and disproportionate impact on civilians, even years after a conflict may have ended.</td><td>“Fail”</td></tr>
<tr><td rowspan="5">Nuclear Weapons</td><td>Companies that manufacture components for nuclear-exclusive delivery platforms.</td><td rowspan="5">“Fail”</td></tr>
<tr><td>Companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles). I.e., these components can be used in both nuclear and conventional weapons.</td></tr>
<tr><td>Companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons. i.e., these platforms are capable of delivering conventional weapons.</td></tr>
<tr><td>Companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons.</td></tr>
<tr><td>Companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles). Includes companies with contracts to operate/manage government-owned facilities that manufacture components for nuclear warheads and missiles, such as fissile materials, non-nuclear components, explosives, triggers and detonators, etc.</td></tr>
</table>

[5] The “Criteria” refers to the flag that a company will exhibit if found to be in breach of the data point.

	Companies that manufacture nuclear warheads and/or whole nuclear missiles. Includes assembly and integration of warhead and missile body. Includes companies with contracts to operate/manage government-owned facilities that manufacture nuclear warheads and missiles.		
	Companies that provide auxiliary services related to nuclear weapons, such as repairing and maintaining nuclear weapons, providing overhaul and upgrade services (including engineering), stockpiling and stewardship, R&D work, testing and simulations, etc. Includes companies with contracts to operate/manage government-owned facilities that conduct R&D, testing, simulations, and other essential sciences on nuclear weapons.		

GLOBAL NORM EXCLUSIONS

As a member of the United Nations Global Compact[6] (UNGC) we are strong in our commitment to advocate for human rights, labour rights, environmental responsibility, and anti-corruption. We assess companies across a variety of globally recognised norms to understand how they are aligned against fundamental rights. We recognise the severity of violating such fundamental rights and have an exclusions policy in place.

Exclusion	Definition	Rationale	Criteria[7]
United Nations Global Compact Principles	The UNGC consist of ten principles focussed on: - Human rights - Labour - Environment - Corruption	Companies that "Fail" the UNGC ten principles have been involved with a severe controversy where there have been credible allegations that the company or its management has inflicted serious large-scale harm in violation of the principles. Companies in violation have shown a disregard for fundamental rights and are not appropriate for our portfolios.	"Fail"

[6] The Royal Bank of Scotland Group plc (RBS) | UN Global Compact
[7] The "Criteria" refers to the flag that a company will exhibit if found to be in breach of the data point.

Human Rights Compliance	HR Compliance is based on The United Nations Guiding Principles on Business and Human Rights (UNGPBHR). Identifying companies that have credible allegations of involvement in human rights abuses, forced labour, child labour, discrimination, and serious union-management conflict.	We believe that companies that are found to have serious involvement in human and labour rights abuses have shown a disregard for their responsibility to respect and protect human rights in business. As a result we have taken the decision to exclude those from our portfolio.	"Fail"
Labour Compliance – Core	Labour Compliance assess companies against the core fundamentals of the International Labour Organisation (ILO) which has 8 fundamental conventions on labour rights: ○ Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) ○ Right to Organise and Collective Bargaining Convention, 1949 (No. 98) ○ Forced Labour Convention, 1930 (No. 29) ○ Abolition of Forced Labour Convention, 1957 (No. 105) ○ Minimum Age Convention, 1973 (No. 138) ○ Worst Forms of Child Labour Convention, 1999 (No. 182) ○ Equal Remuneration Convention, 1951 (No. 100) ○ Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	The ILOs is a United Nations Agency with the focus on setting labour standards and promoting decent work for all men and women. The 8 ILO fundamental conventions are considered to be the fundamental principles and rights at work. We believe that individuals should be afforded basic rights within the workplace and assess companies against the core fundamentals.	"Fail"
Labour Compliance - Broad	The ILO addresses a broader set of labour rights issues covered through their wider set of conventions. Standards covered include working conditions, wages and hours, and health and safety.	We recognise developing labour standards above the minimum requirements is essential to developing an individual's respect and dignity within the workplace. The broader set of ILO conventions ensure that labour is treated not as a commodity but focused on improving the life of men and women.	"Fail"

BUSINESS ACTIVITY BASED EXCLUSIONS

We want to ensure that we are investing in companies that demonstrate long-term sustainable characteristics and are aligned with our purpose and commitment to being a B-Corp[8] . We have assessed our investment universe and taken the decision to exclude companies involved in sectors or products that we do not think are aligned with our commitments.

Exclusion	Definition	Rationale	Revenue Threshold
Adult Entertainment	**Producer**: Companies that produce, direct, or publish adult entertainment materials that fall into the following categories: Producer of X-rated films, Producer of Pay-per-view programming or channels, Producer of sexually explicit video games, Producer of books or magazines with adult content, Live entertainment of an adult nature, Producer of adults-only material on the internet.	Companies involved in adult entertainment activities face significant risks with regards to the social impact of their business, especially with strong risks related to human trafficking.	5%
	Distributor: Companies that distribute sexually explicit products and services, including X-rated movies and videos, printed materials, television programs, and online products. This includes companies providing cable channels and television for adult viewing only. Companies in the hospitality industry are also included if they offer 'adults only' films for in-room viewing through pay-per-view services		5%

[8] Coutts & Company | Certified B Corporation

	Adult entertainment-related activity: Companies with industry related revenues, including producer, distributor, retailer, and ownership categories		5%
Civilian Firearms	**Firearm producers**: Companies that manufacture firearms and small arms ammunitions for civilian markets. The research does not cover companies that cater to the military, government, and law enforcement markets.	While there is no international convention that bans firearms, this is a topic for debate especially in the United States, where gun violence regularly shakes the nation. The United States is the largest firearms market in the world and as a global multi-asset manager with exposure to US markets we have taken the decision to exclude civilian firearms given the societal impact that high gun rate ownership can have. One study found a strong relationship between state-level firearm ownership and increased suicide rates[9]. While in addition to this the nearly three quarters of all homicides in the US involved a gun[10]. Our exclusionary decision reflects our view that civilian firearms need stricter controls and regulation, specifically in the US.	0%
	Firearm retailers: Companies that derive any revenues from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use		10%
Gambling	**Gambling operations**: Companies that own or operate gambling facilities such as casinos, racetracks, bingo halls, or other betting establishments, including; horse, dog, or other racing events that permit wagering; lottery operations; online gambling; bingo; slot machines; mobile gambling; and sporting events that permit wagering	Companies involved in gambling activities face significant risks with regards to the social impact of their business, and the sector does not appear to have developed sufficient policies to properly address the risks of addiction and over-indebtedness linked to their activities.	10%

[9] Firearm Ownership and Suicide Rates Among US Men and Women, 1981–2013 | AJPH | Vol. 106 Issue 7 (aphapublications.org)
[10] WISQARS Data Visualization (cdc.gov)

	Gambling-related revenues: Companies with gambling related revenues through the operation, support, licensing, or ownership categories		10%
Predatory Lending	**Lending Practises:** Activities in which lenders take advantage of borrowers' lack of understanding and/or lack of access to more traditional financial services to impose loan terms that place a disproportionately and often untenably high burden on the borrower. This is often done through deception, fraud, or manipulation via aggressive sales tactics	Predatory lending can leave those impacted with ruined credit, unmanageable debt or even homeless. The high interest rates and fees placed on the consumers of these products, typically the most vulnerable in society, leaves those involved in financial distress. These companies operate typically unsustainable business models and negatively impact society.	5%
Tobacco	**Tobacco producers**: Companies that manufacture tobacco products, including cigarettes, cigars, blunts, beedis, kreteks, smokeless tobacco, snuff, snus and chewing tobacco. This also includes companies that grow or process raw tobacco leaves	Tobacco consumption is associated with pervasive health consequences and fatalities for smokers and non-smokers. According to the World Health Organization (WHO), tobacco generates social and economic costs as it causes premature deaths and losses in productivity, leading to reduced household income, increases in poverty, and healthcare expenses. Producers of tobacco are subject to increasing regulatory pressure, taxes, and potential lawsuits that may affect their financial prospects. Regulatory and reputational risks in the industry are likely to be underestimated, leading to inadequate risk analysis.	0%
	Tobacco-related revenues: Companies with tobacco related revenues, such as distributors, licensors, retailers, or suppliers (e.g. machinery, paper, filters		10%

SCOPE OF EXCLUSION

The above exclusions apply to our Coutts funds managed by Blackrock[11] and to our direct equity holdings as detailed on page 2. It is important to recognise that the exclusions might not apply consistently across funds managed by external fund managers. While we actively engage with all fund managers that we invest in and make clear our position on climate change and the activities we will not invest in, we are not able to enforce our exclusions policy.

We continuously seek to understand external fund managers' views on climate risks and how they manage these risks within their funds. We also strongly urge them to support the transition to a low- carbon economy.

COMPLIANCE

To ensure that we comply with our chosen exclusionary criteria we use MSCI data to assess company and third-party fund exposure. MSCI are an industry leading data provider with coverage of 53,000 third-party funds and more than 600,000 equity and fixed income securities globally[12]. MSCI look at company disclosures within their annual reports to determine areas of business involvement and the levels of revenue derived from certain activities. Using this data, we can set specific revenue thresholds or exclude companies that have any involvement with activities that are part of our exclusionary criteria. We can also monitor existing investee companies for ongoing compliance. While the majority of ESG data sourced from MSCI is quantitative in nature, there are certain datapoints, more specifically those relating to Global Norms, that rely on a qualitative assessment. We rely on MSCI for this assessment but recognise that, due to their qualitative nature, there might be discrepancies between assessments made by different external ESG data providers.

Our Coutts funds managed by BlackRock are monitored in accordance with MSCI data; however, this is subject to BlackRock and their choice of ESG data providers. For third-party fund mangers we do not require they use MSCI data as we do not impose our exclusionary policy on those managers, but instead share our exclusionary policy.

As part of our process for monitoring compliance with our exclusions policy we regularly review securities within our investable universe. There can be scenarios where securities are added or removed from our exclusions lists for a variety of reasons, such as changes in business operations, disposal or acquisition of business unit or changes in the ESG data provider methodology for assessment.

Where we become aware that a security:

1. No longer fail any exclusions criteria
2. Fails any exclusions criteria

We will act within 90 days of notification to remove/add the security from/to our exclusions list.

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[11] Refers to the Coutts funds launched as part of our co-operation agreement with BlackRock, which include: Coutts US Equity Index Fund, Coutts UK Equity Index Fund, Coutts Europe Ex-UK Equity Index Fund, Coutts Actively Managed US Equity Fund, Coutts Actively Managed UK Equity Fund, Coutts Actively Managed Global Investment Grade Credit Fund

[12] MSCI ESG Fund Ratings Summary

PROCESS FOR CHANGING POLICY

As stated, we review our exclusion policy annually to ensure that we are investing in assets that are aligned with the policy. If upon reflection it is deemed that a sector or activity is no longer meeting those parameters, we will take the necessary action to add this to our exclusion policy.

In order to add to our ESG exclusion policy we must be able to explain the rationale for exclusion. An ESG analyst will evaluate the potential impact that an exclusion might have on a portfolio. These findings will culminate in an investment report which will be presented to our investment committee. It is the responsibility of the investment committee to ensure that any exclusionary decisions have been through a rigorous assessment, and that we have considered all impacts that will arise from implementation.

Following an approval from the investment committee, the new ESG exclusion will be added to our ESG-related exclusions policy, and any necessary action to remove securities held in portfolios that conflict with that policy will be enacted within 100 days.

IMPACT OF EXCLUSIONS POLICY

As a long-term investor, we are conscious of the potential impact of reducing the investment universe as a result of putting in place ESG-related exclusions. However, before any investment exclusion is applied, an extensive review is undertaken to understand the impact of that restriction on investment portfolios and funds. The main objective of our ESG-related exclusions policy remains to reduce risks within the investment portfolios and funds we manage on behalf of our clients.

While we believe that divestment can be a powerful tool to drive change at companies, we believe it is a blunt instrument that can only be employed once and should therefore be applied carefully.

We apply a rigorous analysis of the impact of any potential and existing exclusions to ensure we are comfortable with our decisions. We also believe that exclusions should only be used where the use of engagement is unlikely to yield a tangible result, because the relevant sector is unable or unwilling to change its practices.

For more information on our investment exclusions, please contact your private banker or wealth manager or visit coutts.com

Policy Updated: 18 July