STEWARDSHIP POLICY 2024

Coutts

MESSAGE FROM OUR CIO

For over three centuries, Coutts has been a steadfast companion on our clients' financial journeys. As we navigate an increasingly complex and interconnected world, stewardship has never been more crucial.

Stewardship, to us, means more than just managing assets. It entails a deep-rooted responsibility to safeguard and enhance our clients' wealth while considering the broader implications of our investment decisions. This ethos has been ingrained in our institution since its founding, guiding our approach to wealth management for generations.

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 our approach and demonstrates how we incorporate stewardship into our investment activity.

FAHAD KAMAL,
CHIEF INVESTMENT OFFICER, COUTTS & CO

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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)[1]. 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.

The Code comprises a set of 12 'apply and explain' principles for asset managers and asset owners. This document should be read in conjunction with the Cautionary Note on Climate Related Data, section 7 of the NatWest Group 2023 Climate-related Disclosures Report. Note, all data included within this report reflects the position as at 31st December 2023.

Throughout this report, we use the term Coutts Asset Management to refer to our Asset Management Centre of Excellence, which provides investments products and services across NatWest Group. See more in Principle 2.

As part of our approach to increase transparency in reporting, we reference a range of case studies from our third-party engagement provider, EOS at Federated Hermes Limited, including those which have been successful, partially successful and a partial failure.

The Code principles are listed here:

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

PRINCIPLE 1

Purpose, investment beliefs, strategy & culture

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 climate ambition is to be a leading bank in the UK, helping address the climate challenge. 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 delivers desired investment outcomes, and by building a diverse and inclusive workforce.

Coutts Asset Management's purpose is 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.

Our role as a responsible investor

We describe our approach as 'responsible investing', meaning we consider the environmental, social and governance (ESG) issues that could impact the returns and resilience of a client's investments. We do this through integration of ESG considerations into our investment process, an important part of which is our approach to stewardship and engagement.

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 with our investments in a way that promotes good outcomes for clients.

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 and are two methods to communicate with and influence companies. We believe voting and engagement are inherently connected to our commitment to be a responsible investor. Additionally, the benefits of stewardship include increasing our understanding of the company through better reporting, tracking of progress against strategic goals and understanding of positioning against industry peers.

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 and incremental. It is these three pillars that guide us in our relationships with third-party funds and EOS at Federated Hermes Limited, 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, but also deliver added benefits for our clients through increased trading efficiencies and improved manager pricing.

Our culture is underpinned by our values:

INCLUSIVE:
We work together to achieve great things with our colleagues, communities, and clients.
We celebrate and respect everyone's strengths and differences and share our knowledge and experience.
We are committed to nurturing a fair and inclusive environment where we all feel we belong.

CURIOUS:
We experiment and explore with relentless curiosity and broad perspectives.
We have a passion for new ideas.
We are courageous and creative innovators, who try new things.

ROBUST:
We act with integrity and take risks intelligently.
We make good decisions and trust each other to do so.
We solve problems and deliver the best outcomes.

SUSTAINABLE:
We care deeply about our impact on people and the planet.
We show empathy, build relationships in a digital world and are at our clients' sides throughout their lives.
We act responsibly for the long-term.

AMBITIOUS:
We are role models for change we want to see – guided by our purpose.
We prioritise wellbeing and learning for ourselves and others.
We set high standards for ourselves and others to achieve outstanding results.

Our B Corp status

In 2021, Coutts was the first UK-headquartered private bank to become B Corp certified. A B Corp is a business that works towards meeting standards of verified social and environmental performance, public transparency and accountability to balance profit and purpose. Coutts' B Corp certification means we consciously work towards providing responsible wealth management in line with exceptional levels of service. Becoming a B Corp helps us continue to support our clients' sustainability plans and shows that financial goals need not come at the expense of the planet. We constantly seek better environmental, social and governance practice within our own business and those we work with, because we believe doing so is vital to ensuring sustainable economic prosperity. You can learn more about our status as a B Corp at coutts.com.

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 supports our commitment to be a responsible investor. We define responsible investment as the integration of 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 custom-built funds enables us to seek to drive change and manage risks.

Our approach to ownership and governance

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 custom-built 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.

2023 PROGRESS EXAMPLE

Our Portfolio Alignment (PA) and Weighted Average Carbon Intensity (WACI) ambitions

We believe factoring ESG, and specifically climate considerations, into our investment strategy enables us to identify opportunities and reduce the potential risks associated with climate change. We support the goal of reaching net-zero emissions by 2050 and have two interim ambitions[2]:

- We aim to align 70% of in-scope Managed Assets to a net-zero pathway by 2030[3]. In 2023, we completed assessments across 81 funds and developed our first measurement of portfolio alignment. As at 31 December 2023, 49% of funds within our Managed Assets were considered to be portfolio aligned.
- We've also set an ambition to reduce the WACI of the equity and corporate fixed income of our Managed Assets by 50% by 31 December 2030, compared to a 31 December 2019 baseline. As at 31 July 2023[4] WACI has decreased by 45%, from 166 tCO2e/US$m in 2019 to 92 tCO2e/US$m[5].

To deliver on our ambitions, we undertake three key activities:

1) Integrate climate considerations into our investment decision making process
2) Engage with companies and fund managers to understand how they manage climate-related risks and identify investment opportunities associated with climate change.
3) Reduce our exposure to carbon intensive activities, where appropriate.

This is also discussed in Principles 4 and 7. To find out more about our climate ambitions, see NatWest Group's 2023 Climate-related Disclosures Report (page 77).

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

We believe 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 can 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

Our approach to Exclusions

Patience is one of our core investment beliefs. It means that our funds and portfolios are better placed 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. Our preferred strategy is to engage with companies to change the way they do business over time, which is why we do not have blanket exclusions on fossil fuels. However, there are certain activities where we believe that engagement will not be successful and so aim to exclude these. Our ESG-Related Exclusions Policy helps us to manage risks to clients' investments, considering financially material impacts and reputational risk. For more information, see Principle 7.

2023 PROGRESS EXAMPLE

- During 2023, we further developed our climate transition plan, initially published in 2022. These enhancements enabled us to track our progress vs our publicly stated ambitions, against three different scenarios (baseline, moderately optimistic and highly optimistic). Future plans are to incorporate these outputs into our investment decision making processes. You can read more about the Coutts Asset Management Climate Transition Plan in NatWest Group's 2023 Climate-related Disclosures Report (page 77).
- Coutts Asset Management reports into the CDP as part of NatWest Group which, in 2023, was awarded a climate change score of A by CDP. This means that we were one of 362 organisations globally to make CDP's A-List for climate change, demonstrating an improvement from our 2022 CDP score of B.

2. Total AUM was £31.7 billion as at 31 December 2023. We consider our Managed Assets (representing 84% of total AUM) to be in scope for our 2030 portfolio alignment target and WACI ambition. Bespoke and advisory services are excluded from out interim 2030 target and ambition, as we do not have full discretion over the net-zero pathway of these investments. We aim to engage with bespoke and advisory customers to bring these assets within scope of our net-zero by 2050 ambition.
3. Portfolio alignment covers equity, corporate fixed income, and government bond asset classes.
4. Equity and corporate fixed income values as at 31 July 2023. Carbon emissions have been taken from 31 December 2022.
5. WACI coverage includes equities and corporate fixed income while government bonds are excluded.

PRINCIPLE 2

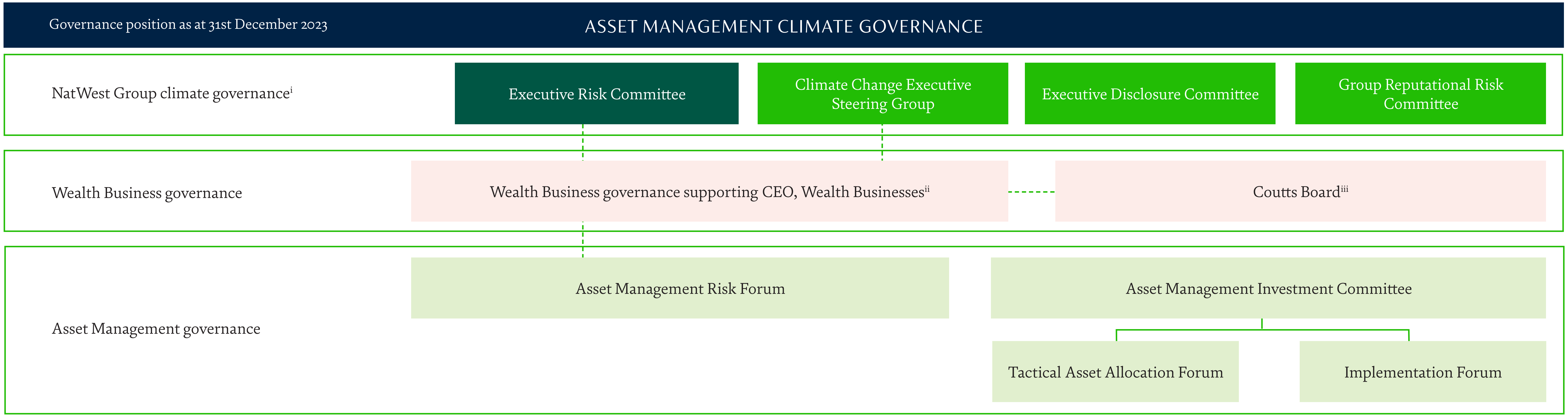
Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

Governance structure

Strategic climate decisions for assets under management (AUM) are subject to both Coutts Asset Management and NatWest Group governance. As the assessment and management of climate-related risk within investment products is nuanced, we have additional governance and oversight processes tailored to Coutts Asset Management. The execution of investment strategy falls under individual accountability within Coutts & Co legal entity.

Climate-related risks and opportunities within our Coutts Asset Management business are managed by the Asset Management Investment Committee and the Asset Management Risk Forum. Relevant output from these meetings is presented to the Wealth Businesses Climate Change Executive Steering Group (Wealth CCESG) before progressing to the Wealth Businesses Risk Committee or Wealth Executive Committee in accordance with the respective Terms of Reference. The Asset Management Investment Committee monitors and assesses risks and opportunities posed to our AUM, including those relating to climate change. The graphic below shows how climate-related risks and opportunities are assessed and managed within Coutts Asset Management.



Committees[iv]	Asset Management Risk Forum	Asset Management Investment Committee	Tactical Asset Allocation Forum	Implementation Forum
	Responsibilities: Provides oversight and management of business risk, including climate-related risks. **Example:** Approach to meeting Asset Management entity and product level reporting requirements in 2024 was provided to the committee. Reports to Wealth Business Risk Committee.	**Responsibilities:** The investment committee receives delegated authority from the co-heads of Asset Management. It provides governance and oversight to ensure consistent customer outcomes are achieved. Strategic investment decisions around the implementation of the Asset Management climate strategy, including our exclusions policy and the monitoring of our investment process. **Example:** Quarterly monitoring of portfolio alignment and carbon intensity information provided to the Committee. Quarterly voting and engagement updates provided.	**Responsibilities:** Discusses, challenges and votes on asset allocation decisions. Approval of tactical investment opportunities in line with the climate strategy of Asset Management and NatWest Group. **Example:** The forum approved the addition of the Global Infrastructure Fund to our approved list. The fund was selected due to its high-quality approach to infrastructure investing, which incorporates strong climate integration where the underlying portfolio is constructed to have a net positive outcome under a 'fast transition' climate scenario.	**Responsibilities:** Discusses, challenges and votes on asset allocation decisions. Approval of tactical investment opportunities in line with the climate strategy of Asset Management and NatWest Group. **Example:** In 2023, we assessed a Global Infrastructure Fund, which scored highly against our eight key measures, such as investment team and in our opinion represented best in class investment process/philosophy. In addition, the fund closely aligns with Asset Management's views on sustainable investment, particularly climate change.

i. Relevant NatWest Group climate governance forums shown in NatWest Group's 2023 Climate-Related Disclosures Report (page 61) 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 2023, 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, Head of Asset Management and Investment Committee	Yes	No
Head of Responsible Investing	Yes	Yes
Investment Analysts	No	Yes
Dedicated Responsible Investment Employees	No	Yes

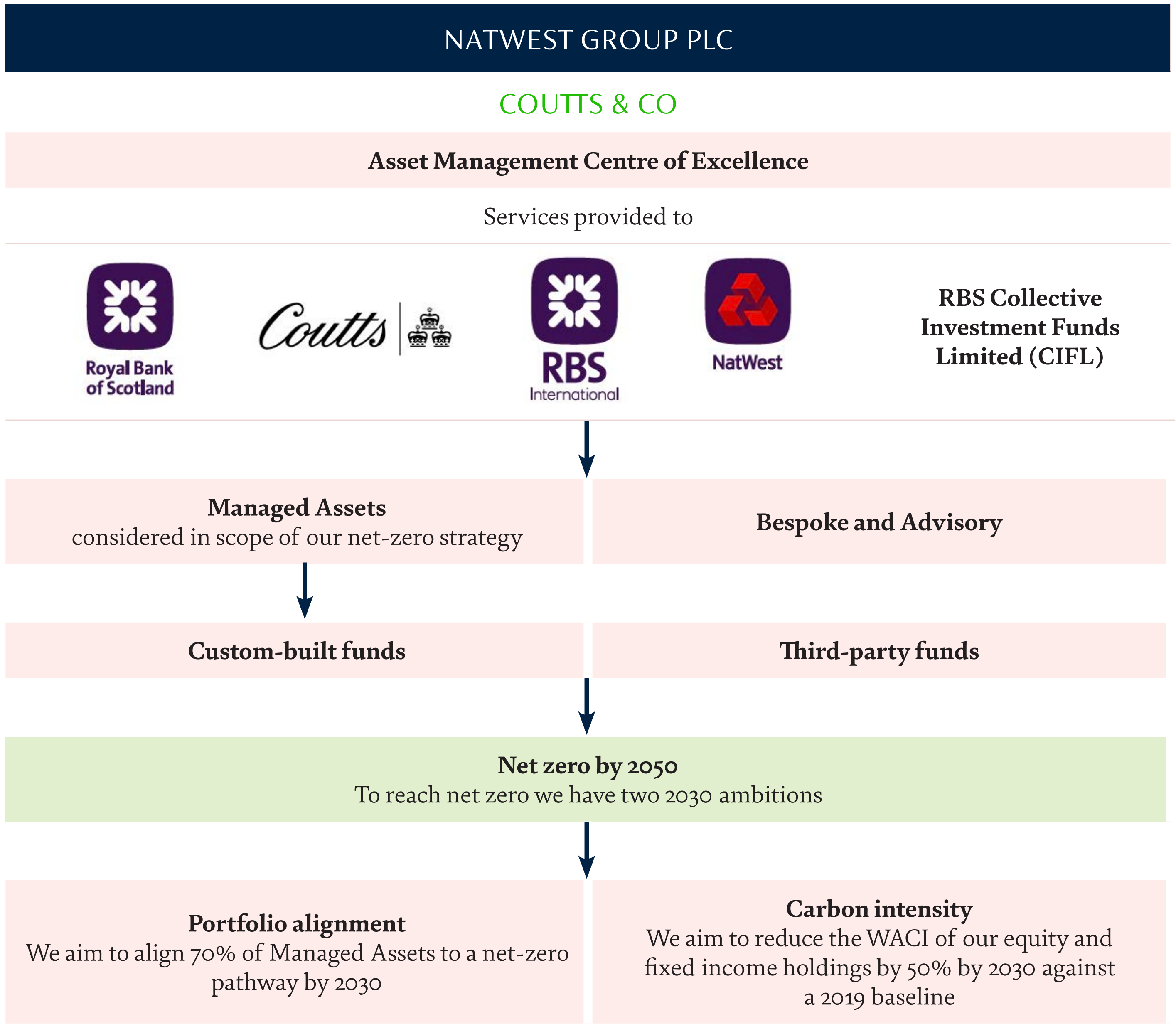
Coutts Asset Management manages investments on behalf of retail investors of NatWest Group. This includes the funds offered through NatWest Invest, Royal Bank Invest and Coutts Invest platforms. These funds are managed on a discretionary basis. Coutts Asset Management works with the wider NatWest Group to share expertise around responsible investing. The Coutts Responsible Investing team feeds into various working groups and forums and, where relevant, provides regular updates to the Wealth Climate Change Executive Steering Group (CCESG).

For more detail on Coutts Asset Management governance please see the NatWest Group 2023 Climate-related Disclosures Report (pages 84 & 85).

A bank-wide approach to integrated business and functional governance

Under our integrated governance structure within NatWest Group, business areas including Coutts Asset Management, ensure that climate considerations are built into decision-making. Accountable executives are empowered to take decisions within their areas of accountability and responsibility. There are clear escalation and reporting routes in place to executive-level committees and cross-bank working groups, which assist in discharging responsibilities and supporting collaboration across the organisation.

Governance position as at 31st December 2023



Climate Governance Structure across NatWest Group

As shown below Coutts Asset Management feeds into the Wealth Businesses Climate Change Executive Steering Group (Wealth CCESG) which sits at the franchise level and reports upwards, ultimately to the NatWest Group Board.

BOARD LEVEL GOVERNANCE

NatWest Group Board — Responsible for promoting the long-term sustainable success of NatWest Group, 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 actions being taken to run the bank as a sustainable business and progress against our climate ambition.

Group Nominations and Governance Committee
Monitors NatWest Group's governance arrangements and oversees review of Board skills and succession 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[ii] 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 the Group CRO, reviews and challenges all material risk exposures including operational, reputation and climate risk.

Climate Change Executive Steering Group
Chaired by the Director, Strategy, Corporate Development & Sustainability. Responsible for delivery and implementation of NatWest's climate strategy and commitments, ensuring a One Bank approach.

Executive Disclosure Committee
Chaired by the CFO, together with ESG[iii] Disclosures Steering Group, reviews all material financial and non-financial disclosures, including climate disclosures.

Group Reputational Risk Committee
Chaired by and supporting the Group CRO, reviews and recommends to the CRO approval of the Environmental, Social & Ethical Risk Framework.

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 Climate Steering Committee**
- **Wealth Climate Change Executive Steering Group**
- **Commercial & Institutional Climate Engagement Forum[iv]**
- **RBS International Climate and ESG Steering Group[v]**
- **NatWest Markets Climate and Sustainability Committee Steering Group[v]**
- **Own Operations & Data Climate Executive Steering Group**
- **Climate Data Steering Group**

CORE CROSS-BANK WORKING GROUPS

- **Climate Risk Oversight Forum**
- **Climate Infrastructure Group**
- **Climate Opportunities Group**

i. For further information on NatWest Group's corporate governance framework refer to the Corporate Governance section of the 2023 NatWest Group Plc Annual Report and Accounts.
ii. Senior Manager Function holder (Group CEO and Group CRO).
iii. Environmental, Social and Governance.
iv. Includes RBSI and NWM as appropriate.
v. Relating to activity outside the ring-fence.

Our people

While the Responsible Investing team's focus is setting the strategy and coordinating its implementation, all colleagues in Coutts Asset Management are responsible for implementing our responsible investing strategy. This includes embedding ESG and stewardship into wider responsibilities, which forms part of everyone's objectives.

Some examples of teams that are directly involved in stewardship are:

- Investment Strategy 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 Coutts Asset Management 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.

Appropriately resourced

We are investing in training and education for our employees, both within Coutts Asset Management and the wider bank.

- All Wealth colleagues are required to undertake yearly training on responsible investing, which takes the form of online training.
- Any updates to our responsible investing approach, milestones or stewardship updates are communicated to client-facing colleagues to ensure they are able to communicate our approach to clients.
- We support every member of our Asset Management team who wish to obtain their CFA UK ESG Investing 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.
- In 2023, we committed to educate all colleagues through our Climate Change Fundamentals programme which was completed by c.55,000 colleagues across the bank. The 60-minute programme created in partnership with University of Edinburgh was designed to enable all colleagues across the bank to continue to develop the knowledge, skills and behaviours, to understand their role in climate change, both personally and professionally.

2023 PROGRESS EXAMPLE

Climate change training

In 2023, NatWest Group continued our £1.5 million partnership with the University of Edinburgh Centre for Business, Climate Change and Sustainability (UoE B-CCaS) to deliver tailored climate education to all NatWest Group colleagues. Content, designed at three different levels (Core, Common and Technical), delivered through our NatWest Learning Academy, supports the development of relevant colleague capabilities across NatWest Group. This approach centres on three key ambitions:

1. Provide easily accessible climate awareness learning, enabling colleagues to take ownership and act.
2. Equip colleagues in priority roles with the capability to do their job and manage climate-related risks.
3. Inspire climate action and innovation through learning and professionalisation.

As part of the UoE B-CCaS partnership, in Q3 of 2023, NatWest Group launched 'Climate Pathways' as another step towards helping to address the climate challenge and driving positive change within the bank. Our first pathway, 'How climate uncertainty impacts risk and opportunity', was completed by c.16,000 colleagues, to reach our aim of having appropriate climate-related risk training. Other topics included 'catalysing change through climate conversations' and 'transitioning through institutional levers', which were made up of expert-led micro lectures, case studies and curated reading resources. Key impacts from the programme included increased colleague confidence and awareness in climate topics, with:

- 85% of respondents saying they understood how climate uncertainty affects our business and customers
- 79% of respondents saying they understood how they could act on climate change in their roles.

In addition to programmes delivered with UoE B-CCaS, we also launched an internal Greenwashing Awareness training to c.15,000 colleagues, supporting their understanding of greenwashing and the importance of maintaining effective controls to mitigate any associated risks.

The importance of stewardship is highlighted in the educational initiatives referenced, and we believe these have led to improved confidence of our advisers when talking about ESG with clients, as well as increased colleague awareness of the importance of ESG and stewardship.

Our dedicated Responsible Investing team

The Coutts Responsible Investing team is dedicated to seeking to integrate 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 has grown to nine specialists, has, on average, five years of experience in the ESG/CSR space (ranging from 1 to 12 years) and is composed of 67% women. 78% of the team have or are working towards completing at least one ESG/sustainability-related qualification, including two team members completing an ESG/sustainability related Master's degree. Every member of the team has completed the Climate Change Transformation Programme which is part of our partnership with the University of Edinburgh.

2023 PROGRESS EXAMPLE

DIVERSITY

Creating a diverse, equitable and inclusive workplace is integral to how we operate at NatWest Group. We want to give everyone who works here, and every client who comes into contact with us, the chance to succeed and the support to thrive. Colleague sentiment on inclusion is measured via Our View, our colleague engagement survey.

INCLUSIVITY

13%

colleagues from ethnic minority backgrounds in our CEO-4 and above UK roles as at 31 December 2023

11%	11%
2021	2022

In 2023, 93% of colleagues told us that they believe NatWest Group promotes an inclusive culture. We are 10% above the Global Financial Services Norm (GFSN) and 7% above the Global High Performance Norm (GHPN).

GENDER

41%

women in our CEO-3 and above global roles as at 31 December 2023

38%	40%
2021	2022

We continuously monitor and report against our diversity targets. We have a target of full gender balance in CEO-3 positions and above globally by the end of 2030.

ETHNICITY

1.9%

colleagues who identify as Black in the UK in CEO-5 and above roles as at 31 December 2023

1.5%	1.5%
2021	2022

We have a target to have Black colleagues occupying 3% of CEO-5 and above UK roles by end of 2025. Overall, of those who disclose their ethnicity, 3% of colleagues in the UK identify as Black.

Introduced in 2018, our target is to have 14% of colleagues from ethnic minority groups in CEO-4 and above positions in the UK by end of 2025. As at 31 December 2023, of 84% of colleagues who disclosed their ethnicity, we have an aggregate 13% of colleagues from ethnic minority groups in our CEO-4 and above positions. This represents a 5% increase since targets were introduced and a 2% increase from 2022.

We are committed to achieving our current targets, and to ensuring that they evolve appropriately. To ensure continuous improvement across our policy offering, we actively listen to colleagues through our colleague experience feedback forums, our employee-led networks, our employee representatives and regular industry benchmarking.

2023 PROGRESS EXAMPLE

Family-focused leave policies

In January 2023, NatWest Group launched partner leave policies across our operation in the UK, Offshore, Republic of Ireland, US, Poland, India and Western Europe. The policy supports all eligible employees with significantly more time away from work to help their partner look after their new child, whether the new child has arrived through birth, adoption or surrogacy. The policies introduce significantly enhanced pay and leave for eligible fathers and partners to share the caring responsibilities. The policy is open to both same-sex parents and heterosexual parents. This champions the potential of both parents and promotes gender equality in the workplace. As at 31 December 2023, over 1,200 colleagues have benefited from the policy. You can read more in the NatWest Group's 2023 ESG Disclosures Report (page 43).

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 employees who are eligible for a bonus, the annual bonus pool is based on a balanced scorecard of measures, which includes climate. Each individual business area within NatWest Group has its own climate-related objectives which must be met in order for eligible employees to receive a bonus.

All figures are as at 31st December 2023. Figures representative of all NatWest Group colleagues. Sourced from 2023 NatWest Group ESG Disclosures Report (page 42).

USE OF SERVICE PROVIDERS

Relationship with EOS at Federated Hermes Limited

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$1.8 trillion[6]. 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.

Voting approach for custom–built funds

Our discretionary portfolios and funds have exposure to our custom-built funds which are managed by BlackRock, but follow our own Responsible Investing Policy. In most cases votes will be cast in line with the recommendations put forward by EOS at Federated Hermes Limited (EOS).

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

We publish annual and quarterly overviews of all voting and engagement, including where we have chosen to amend our vote. These can be found on our disclosures page at coutts.com.

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.

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 Institutional Investors Group on Climate Change (IIGCC), the Net Zero Asset Managers Initiative (NZAM) and the Science Based Targets initiative (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 custom-built 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 carried out in line with our policies on a best endeavours basis.

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 consistent 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 as part of NatWest Group and externally through initiatives such as the Principles for Responsible Investment (PRI) and the Institutional Investors Group on Climate Change (IIGCC) who engage on government policy. NatWest Group continues to engage with bond issuers and bond fund providers. For more information, please refer to the Cautionary Notes on Climate Data and the 2023 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 (WACI) 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 data points into our investment decision-making process.

EOS CASE STUDY EXAMPLE:
Improving pay design and transparency

Company engaged	Goldman Sachs
Sector	Financial Services
Status	Success
Engagement theme	Remuneration and risk
Background to engagement	EOS' engagement with Goldman Sachs on remuneration and risk began in 2008 when they highlighted the need for increased transparency and accountability on compensation, board leadership structure and risk management. Over the years, the company acknowledged EOS' concerns, providing reassurance that it was committed to making improvements in the wake of the financial crisis.
Steps taken	In 2015, the company became involved in the 1MDB scandal in which a Malaysian government-owned and controlled investment fund created in 2009 was used to steal an estimated $10 billion by the Malaysian prime minister. EOS consistently explained that they expected the company to increase its disclosure on culture improvements and compensation clawbacks related to the 1MDB institutional failure. In 2020, the board said the 1MDB matter was an institutional failure, and described a series of enhancements to compliance and internal controls and compensation related clawbacks, forfeitures and reductions that totalled $174 million in the aggregate.
Outcomes	During the 2021 proxy season, the board appropriately applied downward discretion in meaningfully reducing CEO and NEO pay and took action to clawback funds that had not yet left the company and funds that have already been dispersed. While the board's actions sufficiently addressed the concerns we raised, EOS pushed the company to reset future pay to a lower level, noting that high CEO pay exacerbates inequities the company says it seeks to reduce and creates company-specific risks. During the 2022 proxy season EOS recommended opposing compensation at 2.53 times the peer median amidst mixed performance. EOS have been encouraged by media reports that the company reduced pay by 30% in 2023 in acknowledgement of disappointing financial performance.
Next steps	EOS will continue engaging on better aligning compensation including quantum with the long-term interests of investors and the stakeholder ecosystem upon which the company's health depends.

6. As of 31st March 2024

PRINCIPLE 3

Managing conflicts of interest

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

Conflicts of Interest 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.

The 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 and remediation of any 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.

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.	We disclose all voting overrides to our Investment Committee. If we identify an issue which we believe warrants further deliberation, we will escalate the conflict to the Wealth Business Risk Committee.
Our employees or clients may have personal relationships with companies we are engaging with or voting on. Because we apply judgement in our own 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 interest could influence these activities. In most instances, we do not check the ties between the companies we hold in our investments and the personal or commercial clients we bank, except in instances where a high-profile risk is identified.	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. We disclose all voting overrides to our Investment Committee. If we believe there to be a potential issue which warrants further deliberation, we will escalate the conflict to the Wealth Business 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 the Investment Committee. If we believe the issue warrants further deliberation, we will escalate the conflict to the Wealth Executive Committee.

Coutts does not invest directly or via the strategic relationship funds 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 the EOS group Stewardship Conflicts of Interest Policy and conflicts of interest register. As part of the EOS group policy, EOS employees report any potential conflicts to the EOS compliance team to be assessed and, when necessary, the register is updated. The conflicts of interest register is reviewed by EOS senior management on a regular basis.

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

EOS' Stewardship Conflicts of Interest Policy gives the following real or perceived examples of conflicts that may arise:

- EOS may engage with or recommend votes on the shares of a company which is the sponsor of one of our pension fund clients or is a company within the same group as one of our clients or prospects
- EOS may engage with a government or government body which is the sponsor or associate of the sponsor of one of our clients or prospects
- EOS may engage with a company which is a tenant of our 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 FHL or FHI 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 and may also have representative directors
- EOS may hold meetings with companies for the dual purpose of delivering both our fund management and engagement services
- EOS may otherwise act on behalf of clients who have differing interests in the outcome of our activities.

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

Training

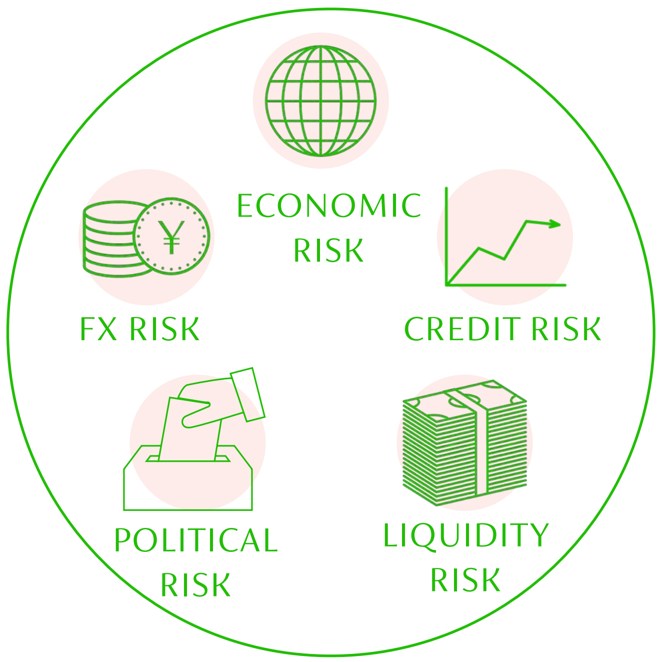
All NatWest Group colleagues are required to follow NatWest Group policies relating to Handling Confidential and Inside Information and Market Abuse, and mandatory training on Personal Conflicts of Interest and Personal Account Dealing is made available for all employees to make sure they are aware of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

PRINCIPLE 4

Responding to systemic risks

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

MACRO-ECONOMIC FACTORS



Data is never perfect

Our clients are often invested in custom-built and third-party managed funds. However, the absence of widely available adequate data, and sub-sector-related information makes it challenging to accurately disclose or estimate climate metrics. While we work with our fund managers and MSCI to increase data transparency, there remains gaps in coverage which we are seeking to address. Please see our Cautionary Note on Climate-related Data for further information.

The implementation of our Coutts Net Zero Investment Framework (CNZIF) has enabled us to incorporate a wider set of data points when assessing the progress fund managers are making towards net zero. You can read more about CNZIF within this Principle.

Identifying market risks and systemic risks

As an asset manager our primary objective is to manage financial risks and returns. 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 ESG 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 objectives 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 asses the extent to which portfolios are exposed to a number of macroeconomic 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 risks emerging in the market, which are unforeseen or unprecedented, whether a macroeconomic 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, and the response to it, represents a potential 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 2023 Climate-Related Disclosures Report. 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 and effectively mitigate these. However, when it comes to the identification of systemic risks relating to ESG, it is more difficult to obtain reliable, consistent data.

EOS CASE STUDY EXAMPLE:
Physical and transition risks

Company engaged	Crown Castle
Sector	Real estate
Status	Partial success
Engagement theme	TCFD Implementation
Background to engagement	Crown Castle owns communications infrastructure across the United States that may be susceptible to the impacts of climate change. For this reason, EOS' aim was for the company to report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
Steps taken	In 2020, EOS first met with the company to encourage this alignment of its reporting as a way of establishing a robust foundation for managing climate-related risks. EOS reiterated this request in a 2021 discussion with the chief financial officer (CFO). The company explained it had not yet fully evaluated the impact of climate change on its business, and EOS encouraged alignment with the TCFD to support a responsible growth strategy, especially considering the physical risk to its Gulf Coast and Caribbean infrastructure. Building on this engagement, in early 2023 EOS enquired about the company publishing a comprehensive TCFD report including the relevant frameworks for the management of climate related risks and opportunities. It was not clear if this will be a standalone report or another TCFD index.
Outcomes	In 2021, in response to shareholder engagement, the company's 2020 ESG report included a TCFD index, a commitment to reach carbon neutrality by 2025, and more details on its climate strategy. In September 2023, EOS asked the company to expand on its TCFD reporting as a standalone report, to provide more information around its physical risk resilience. The company asserted its infrastructure was resilient to physical and transition risks. EOS encouraged the company to disclose the analysis that points to this conclusion to add validity to its statement. The company thanked EOS for this perspective but emphasised the disclosures in its TCFD index reflect the analysis, and the analysis is done separately at each of its tower locations with frequency and would be too much data to continuously update.
Next steps	EOS will continue to engage with the company on its climate strategy.

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. Typically, in a balanced portfolio, we vote and engage directly on approximately 50% of our holdings. We believe that engagement is an effective way in which shareholders can enhance long-term financial performance through increased understanding of a company's strategic priorities and how they plan to deliver on these. 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 Limited) as we believe this is more effective than public engagement.

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 ESG 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.

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 2023, NatWest Group reviewed and refreshed their prior assessment of the relative significance of climate risk on other principal risks. This assessment used the judgement of risk subject matter experts combined with scenario analysis, increased granularity of climate data, as well as improved understanding of evolving regulatory guidance, to understand the current and potential impact of physical, transition and liability climate-related risk as a causal factor to other principal risks. NatWest Group identifies climate-related risks through three assessment channels:

1. Undertaking scenario analysis to understand the potential impacts of climate-related risks.
2. Identifying segments of our portfolio and operations with heightened climate-related risk exposure. In 2023, NatWest Group refined their identification of portfolio segments, sectors and sub-sectors exposed to heightened climate-related risk, using internal and external data points including outputs of climate-related scenario analysis. For further information, refer to the 2023 NatWest Group Climate-related Disclosures Report (pages 56 & 57).
3. Assessing individual customer and supplier climate-related risk exposure.

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

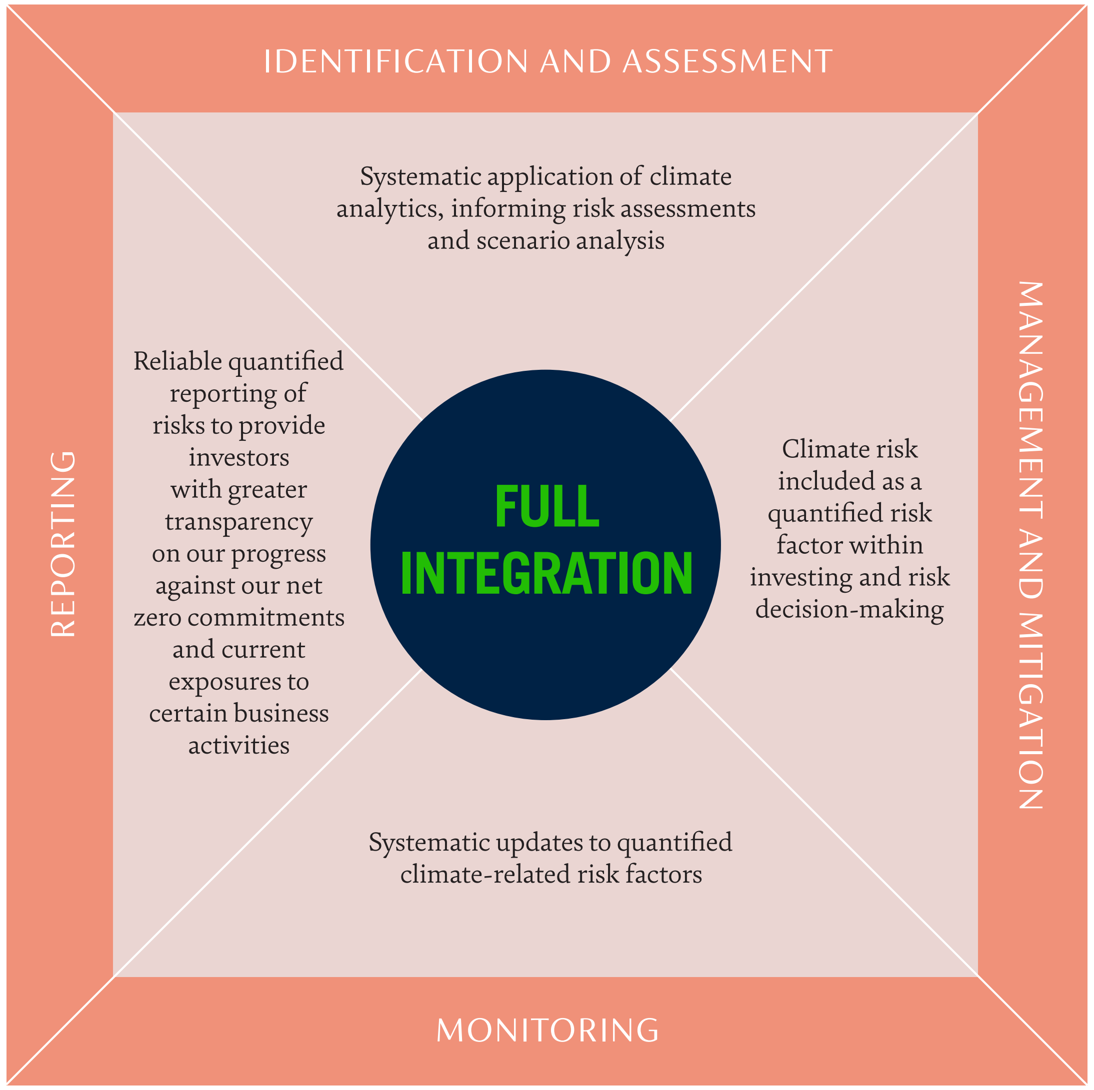
2023 PROGRESS EXAMPLE:

In early 2021, climate risk was first included as a principal risk in our risk directory. During 2023, NatWest Group expanded the scope of climate risk within its EWRMF to include nature-related risks. It is recognised that nature-related risks have the potential to increase the likelihood and/or magnitude of principal risks within the NatWest Group Risk Directory. Changes came into effect from 1 January 2024. We continue to work on integrating climate and nature risk into our Coutts 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 84% of our total AUM, including all core funds and discretionary portfolios.[7] See Principle 1 for more details.
- All funds held in our core funds and discretionary portfolios (Personal Portfolio Fund, Coutts Managed Fund and Discretionary Portfolio Service) are assessed using our Coutts Net Zero Investment Framework (CNZIF), feeding into our Portfolio Alignment metric.



7. Total AUM was £31.7 billion as at 31 December 2023. We consider our Managed Assets (representing 84% of total AUM) to be in-scope for our 2030 portfolio alignment target and WACI ambition.

2023 PROGRESS EXAMPLE

Integrating our net zero questionnaire

A key development in 2023 was the integration of our net zero questionnaire into our Coutts Net Zero Investment Framework (CNZIF). The questionnaire covers multiple climate indicators across three levels: organisational, fund and stewardship. The outputs of the questionnaire are used to calculate a quantitative score that is embedded into our investment decision-making process oversight and used for our portfolio alignment measurement. Finally, where we believe risks are not being managed effectively, we will exclude certain activities from our investment universe. You can find further details within the 2023 NatWest Group Climate-related Disclosures Report (page 77).

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) and joining NZAM 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 1.5°C and net zero by 2050 or sooner. You can read more about our ambition to reach net zero emissions by 2050 and our interim weighted average carbon intensity (WACI) and portfolio alignment ambitions within Principle 1 of this report.

Through EOS at Federated Hermes Limited, climate change is an engagement priority and we engage with the companies in which we invest to ensure they are monitoring and managing material climate risks, as well as supporting effective policy making that is aligned to the goals of the Paris Agreement.

Aligning our AUM with net zero – Coutts Net Zero Investment Framework (CNZIF)

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 which demonstrates how the fund manager is monitoring, managing and engaging on material climate-related risks and opportunities of the companies they hold within their funds.

CNZIF, designed in 2022, includes our net zero questionnaire, which sources data from fund managers to assess the credibility of their net-zero strategy, related commitments and progress made against these. The output of this questionnaire enables us to score the fund against our portfolio alignment measurement criteria from 1 to 5, with 1 being 'not aligned' and 5 being 'achieving net zero'. For a fund to contribute to our portfolio alignment target it must be classified in category 3, 4 or 5. To calculate the portfolio alignment we calculate the AUM total across all funds with a score of 3, 4 or 5 and divide this by the total value of all Managed Assets. The illustration to the right sets out the criteria we use to assess alignment with net zero. You can read more about CNZIF in Principle 8.

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.

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.

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Working with stakeholders and industry initiatives

We participate in several investor-led initiatives to support the transition to a net zero economy. We believe that collective engagement can provide companies with clarity on broader investor priorities, which supplements the effectiveness of our individual engagements.

- Principles for Responsible Investing (PRI): 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.
- 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+ investor signatories representing approximately $68 trillion in assets.
- Net Zero Asset Managers initiative (NZAM): we join a group of 325 signatories representing $57.5 trillion in AUM and demonstrate our support of the goal to reach net zero greenhouse gas emissions by 2050 or sooner.
- 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.
- The Investment Association and the Personal Investment Management & Financial Advice Association (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.

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

- Since 2019, NatWest Group is one of the Founding Signatories of the Principles for Responsible Banking (PRB), committing to strategically align its business with the Sustainable Development Goals and the Paris Agreement on climate change. The PRB provide the framework for a sustainable banking system that responds to and drives today's expanding global sustainable development economy and guides the banking industry to align itself with society's goals as expressed in the Sustainable Development Goals (SDGs) and the Paris Agreement. In 2023, we continued our support for the Net Zero Banking Alliance (NZBA) and announced a new ambition for financial wellbeing, baselined and SDG-aligned in line with PRB target setting guidance.
- 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. 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 in 2021. As part of the alliance, we plan to 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, with a full global phase-out by 1 January 2030.
- As a participant in the UN Global Compact, NatWest Group signalled its support for sustainable business practices, which is endorsed by 20,000+ companies across over 160 countries. During 2023, NatWest Group continued to participate in the UN Global Compact (UNGC), remaining as members of the Making Global Goals Local Working Group and the Modern Slavery Working Group.
- Both Coutts and NatWest Group are members of the Sustainable Markets Initiative with the vision to accelerate global progress towards a sustainable future.

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.
- PRI Advance & PRI Spring
- Nature Action 100
- Finance Sector Deforestation Action
- Asian Corporate Governance Association
- FAIRR Investor Action on AMR initiative
- Investors and Indigenous Peoples Working Group
- Investor Alliance for Human Rights
- Investor Initiative on Mining & Tailings Safety
- International Corporate Governance Network
- Institutional Investors Group on Climate Change
- US Council of Institutional Investors (CII)
- Ceres Valuing Water Finance Initiative
- 30% Club

EOS CASE STUDY EXAMPLE:
Enhancing board composition and structure

Company engaged	IQVIA Holdings
Sector	Pharmaceuticals & Healthcare
Status	Success
Engagement theme	Improve board diversity
Background to engagement	EOS first raised concern about the board's low diversity in 2021 which was at 22% gender diversity with no disclosure of ethnic/racial diversity. This fell below their expectation of 40% overall board diversity, with a minimum of 20% gender diversity and 10% ethnic/racial diversity. Over the course of engagement, EOS encouraged the company to consider increasing overall board diversity to meet expectations, which it was receptive to.
Steps taken	During a 2022 meeting, EOS acknowledged the board's appointment of two new directors, including four women, two of whom were racially diverse, bringing overall diversity to 36%. Although pleased with the progress, EOS encouraged further leadership by pursuing an aspirational target of 50% overall diversity. In 2023, EOS reiterated their request in writing to the company, sharing that they had raised their diversity expectation to a minimum 40% overall diversity, ideally 50% with a 30% expectation for gender diversity.
Outcomes	In response to EOS' 2023 voting guidelines and Engagement Plan letter, highlighting the formal recognition of EOS' aspirational target of 50% overall board diversity and the inclusion of other demographic characteristics such as disability, veteran, LGBTQ+, nationality and socio-economic background; the company referenced its proxy statement showing 50% diverse directors with 40% board gender diversity. During a follow-up meeting, it also shared that two of its directors shared some of those additional demographic characteristics – one a Canadian veteran and the other with a Latino heritage. The company later indicated to EOS that its 50% board diversity figure was also supported by a third director who was born in Africa.

Managing third-party risks – Fund due diligence

Where we invest in third-party funds, rather than through our own custom-built 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 active fund managers are required to complete our Responsible Investing Questionnaire at initial onboarding and when undergoing formal review. Passive fund managers are also reviewed against our Responsible Investing Framework.

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-related Exclusions Policy
- Responsible ownership practices and processes to show responsible investing framework is evidence-driven and forward looking.

Additionally, we also require third-party fund managers to complete our Net Zero Questionnaire as part of our internal assessment against the Coutts Net Zero Investment Framework (CNZIF), as outlined earlier in this Principle.

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.

PRINCIPLE 5

Effectiveness of policies and processes

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 Businesses Climate Change Executive Steering Group (Wealth CCESG)

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 within our governance framework and updated at least annually to reflect changes in our approach, progress made and additional information that has become available.

We actively monitor and review the activities of our stewardship provider, EOS at Federated Hermes Limited, 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 the progress of ongoing engagements. In addition, they also publish a three-year Engagement Plan, which is updated yearly to reflect progress made. You can read more in Principle 11.

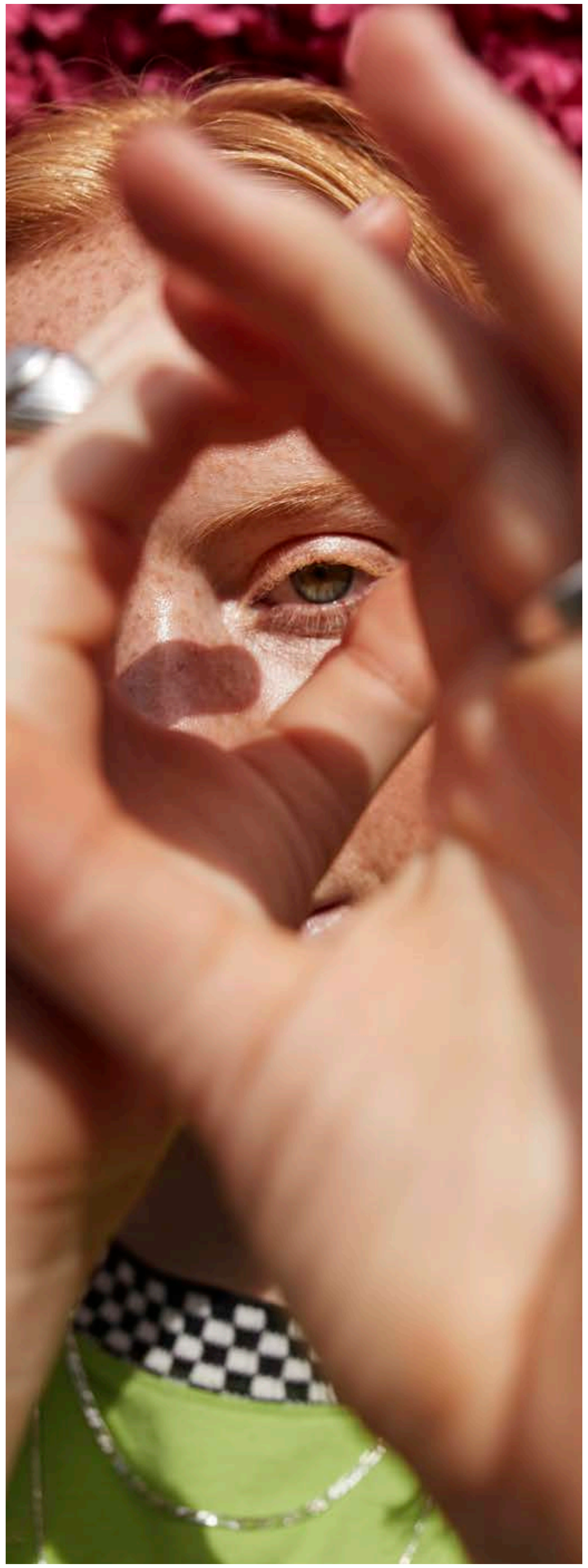
Furthermore, we undertake due diligence on all our third-party research providers, which takes the form of an annual review. Coutts is also an active participant of the EOS Client Advisory Council, in which we discuss potential focus areas and key issues, review policy changes and contribute to areas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

2023 PROGRESS EXAMPLE

Improving stewardship policies and processes

For third-party funds the responses they provide to our Responsible Investing Questionnaire help us identify strengths and weaknesses, as well as areas for development in the fund managers we invest with, 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 2023:

- We published our first 2023 Product Climate-related Disclosures Report to improve transparency over the climate impact of client's investments, as well as the impact climate change may have on client's investments over the medium and long-term. The metrics in the report are based on the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD).
- To provide better data at product level to our clients on ESG-related exposures and progress made against our net-zero ambition, we released our ESG Data Factsheets. You can read more about this in Principle 6.
- In line with the FCA's requirements for enhanced climate-related disclosures by asset managers, we integrated our Asset Management business disclosures into our NatWest Group Climate-related Disclosures Report for the first time at entity level. Consolidating our reporting helps to increase transparency for our clients of how Coutts' investment strategy fits together with NatWest Group's overarching climate strategy.



Controls and assurance process

There are several 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 oversees adherence to ESG-related regulatory disclosure requirements by operating as the SME for responsible investing within 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 Coutts Asset Management. For example, when the Investment Strategy team has assigned a net zero score to a new fund, this is openly discussed at the Fund Selection Forum, a space where new fund ideas are pitched and those which are successful follow the governance route to onboard, as outlined in Principle 2. 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 Coutts Asset Management, work closely with the Risk Oversight (Second Line of Defence) and Business Controls (First Line of Defence) 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. These teams are also responsible for the incorporation of ESG risks, and specifically climate-related risks, into our overall risk framework.

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, as part of our business controls and oversight, review our ESG processes, policies and metrics for consistency and clarity.

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 Limited, 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 provider, MSCI, we rely on them to obtain assurance where relevant.

We receive voting and engagement reports from EOS on a quarterly and annual basis, and these are made publicly available on our website. Alongside the reports, we publish insight articles to bring these to life, highlighting past 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. The aim of these different formats is 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 2023 Engagement Factsheet

Annual review 2023

Voting statistics Q4 2023

We disclose our full voting records, available on coutts.com, for our custom-built funds managed by BlackRock. 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:

- Equity held directly in our Discretionary, Bespoke or Advisory portfolios might be held in a pooled nominee account. While this offers cost benefits for clients and only impacts a small portion of our AUM, it at times impacts our ability to exercise our voting rights.
- While we have ownership over the engagement that takes place within our custom-built funds, for third-party managed funds, the responsibility of voting and engagement activity belongs to 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 fund managers to properly execute their stewardship duties. 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.
- We are working on developing our engagement framework to improve how we track engagements with fund managers.

PRINCIPLE 6

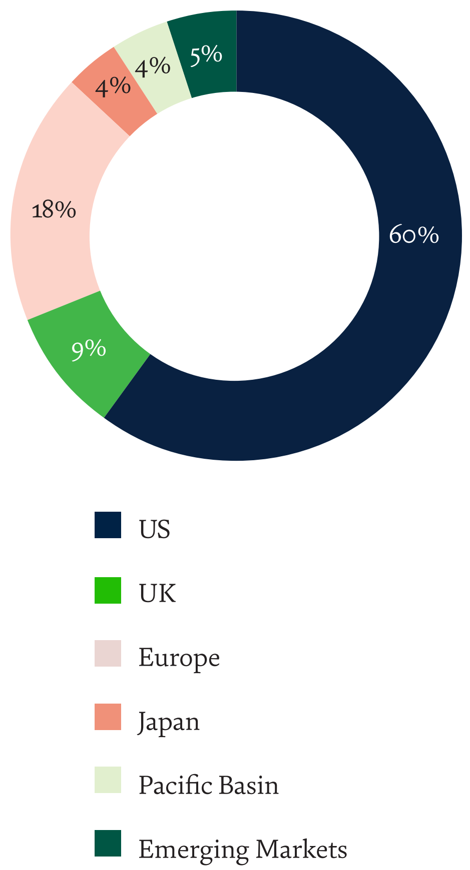
Communicating action on stewardship

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

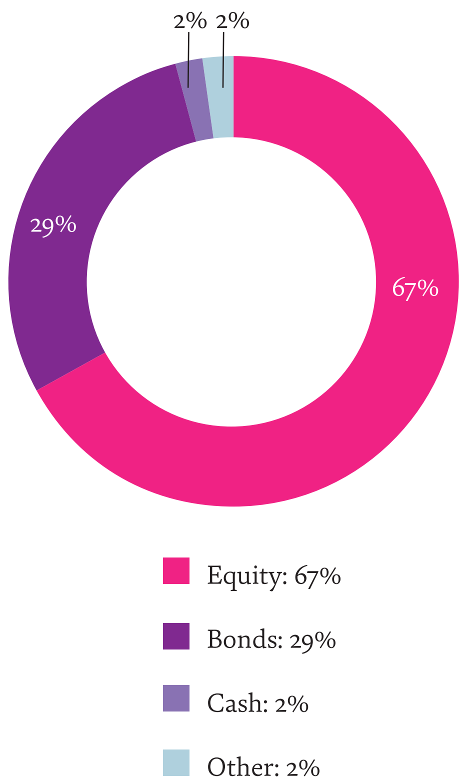
Our client base and assets under management

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, with AUM totalling £31.7 billion(as at 31 December 2023). The client base we serve consists almost exclusively of retail investors. Experienced clients who are looking for a more complex, sophisticated service can move up to professional status, but this represents a small portion of our client base. In addition to individual clients, we also serve several charities and businesses.

AUM Breakdown across geographies (as of 26 September 2024)



AUM Breakdown per asset class (as of 26 September 2024)



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 long-term (five years+) by providing a range of diversified funds and portfolios.

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.
- 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 can invest themselves, on an execution-only basis, in a range of investment products that are managed by Coutts Asset Management. This option allows the client to assess their risk and return preferences independently while maintaining access to Coutts investment products and the Coutts investment house view.

2023 PROGRESS EXAMPLE

NatWest Premier launches new Customer Council

Taking inspiration from the well-established Coutts Client Council, in March 2023, the Premier Customer Council launched, allowing us to engage directly with Premier customers to better understand their requirements and concerns, and to improve our own service. The Premier Customer Council gives the business access to a robust and representative group of customers. They are engaged and help support a rolling research programme aimed at improving customer experience, products and services, as well as being a test bed for new ideas and innovations.

As mentioned in Principle 2, NatWest Premier investment services fall into scope of Coutts Asset Management, as the Centre of Excellence for providing investment products and services across NatWest Group.

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, yet have evolved to incorporate the views of our clients and stakeholders.

Communicating with clients

We communicate on our approach and activities regarding stewardship in several ways.

This includes:

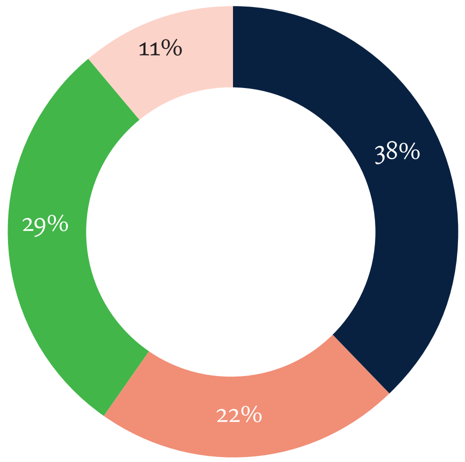
- An annual voting and engagement report
- Quarterly voting and engagement records (provided by EOS), which provides a breakdown of the number of meetings and resolutions voted on, the number of companies engaged with, including a breakdown by geography and theme
- Insight articles on Coutts.com that provide context and thought leadership around our stewardship and responsible investing activity, including case studies of engagement
- Additionally, clients can learn more about our stewardship approach within NatWest Group's suite of climate and ESG-related reporting

You can read all of our reporting in our disclosures and policies section at Coutts.com.

2023 ENGAGEMENT ACTIVITY[8]

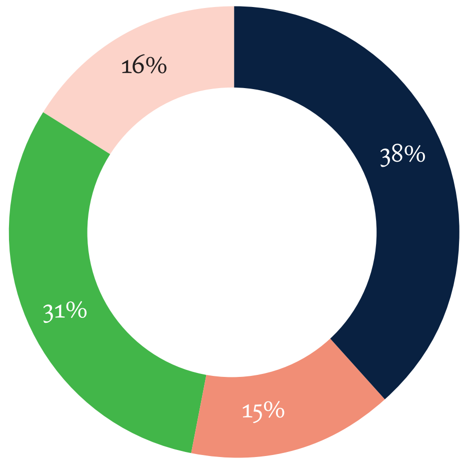
Q1 2023

EOS engaged with 176 companies over the quarter.



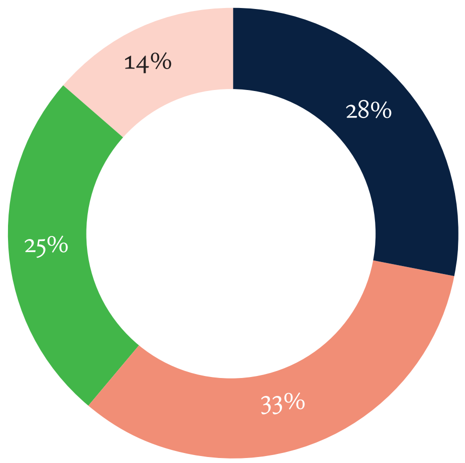
Q2 2023

EOS engaged with 96 companies over the quarter.



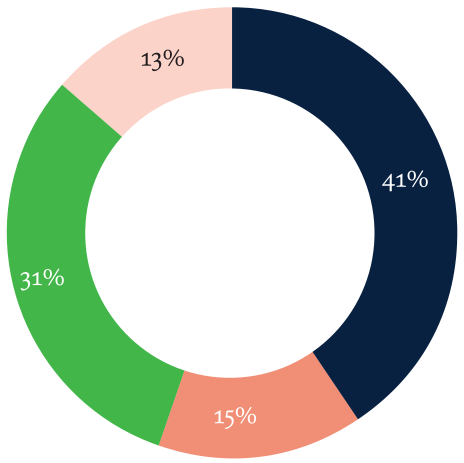
Q3 2023

EOS engaged with 225 companies over the quarter.



Q4 2023

EOS engaged with 190 companies over the quarter.



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

2023 PROGRESS EXAMPLE

Launching ESG Data Factsheets.

As of March 2023, we launched our Environmental, Social and Governance (ESG) Data Factsheets. The Factsheets will provide investors with greater transparency on our progress against our net-zero commitments and current exposures to certain business activities.

The Factsheets will be released quarterly for our Personal Portfolio Funds (PPF) and Coutts Managed Funds (CMaF), you can find them below:

NatWest.com – PPF & CMaF

Coutts.com – PPF & CMaF

For Discretionary Portfolio Service (DPS) products, these factsheets can be requested on demand.

To learn more about these products and their climate-related credentials, see the Coutts 2023 Product Climate-related Disclosures Report.

8. Companies may be engaged with across more than one quarter.

We also 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.

2023 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%.

At the end of December 2023, £12.7 billion of total AUM was invested in funds and government bonds that were classified as aligning or aligned to net zero. This represents 49% of funds within our Managed Assets, which were considered to be portfolio aligned.[9]

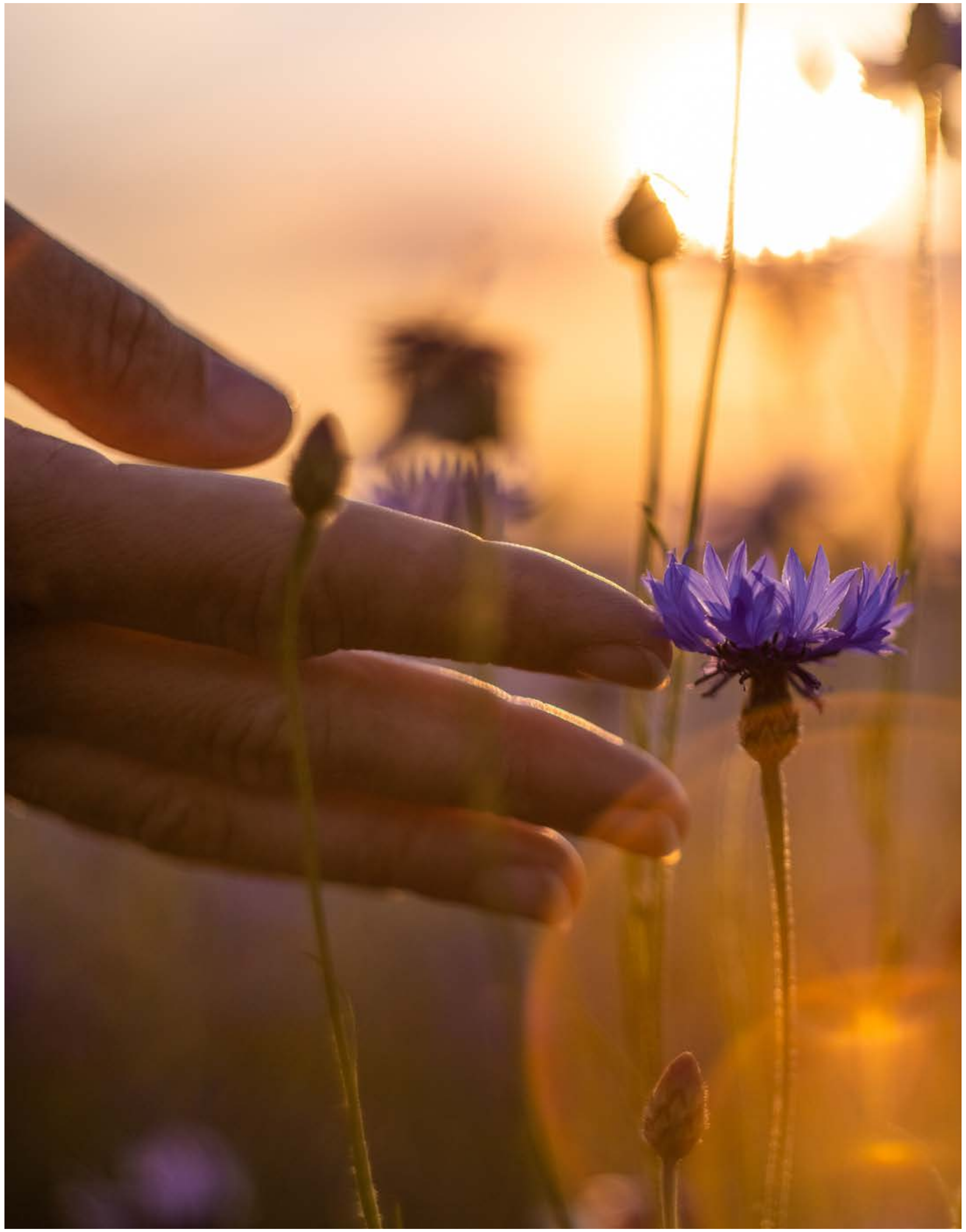
When we are unable to meet client needs

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.

Designing Bespoke mandates

Our bespoke offer applies to customers investing >£10 million and provides strategic asset allocation specific to individual requirements[10]. As part of this offer, Coutts can design bespoke mandates for clients, reflecting their priorities on climate change and other ESG-related issues.



9. As at 31 December 2023. Portfolio alignment covers equity, corporate fixed income, and government bond asset classes.
10. Bespoke and advisory services are excluded from our interim 2030 target and ambition as these assets are subject to customer specific conditions and we do not have full discretion over the net-zero pathway of these investments. We aim to engage with bespoke and advisory customers to bring these assets within scope of our net-zero by 2050 ambition.

PRINCIPLE 7

Systematic integration of stewardship

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 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 Managed Funds Responsible Investing Policy, available on our website.

Factoring ESG, and specifically climate considerations, into our investment strategy enables us to identify opportunities and reduce the potential risks associated with climate change. In Coutts Asset Management, we support the goal of reaching net zero emissions by 2050 and have two interim ambitions, which you can read more about in Principle 1.

Enhancing our net-zero strategy

In May 2022, we announced our interim strategy to support the goal of reaching 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.

We consider our Managed Assets (representing 84% of total AUM)[11] to be in-scope for our 2030 portfolio alignment target. 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.

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 will continue to 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.

2023 PROGRESS 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. 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 continues to monitor and aim to improve diversity in its investee company management teams, including greater representation of women in senior levels – in 2023, 20% of non-executive board introductions from BGF's Talent Network into portfolio companies were women.

11. Total AUM was £31.7 billion as at 31 December 2023.

Managing risks in fund due diligence

Assessing the extent to which the funds and companies we invest in are identifying and managing climate-related risks and opportunities is a priority for us, and forms part of our assessment process before deciding to invest.

As a globally diversified investor, engagement is our key lever to drive climate mitigation activity across our Managed Assets as we believe that all actors have a role to play in the transition. Our engagement is focused on the long-term goal of mitigating climate-related risks and increasing transparency around the management of risks and opportunities relating to climate change. However, there are certain business activities where we believe that engagement will not be effective. These include the following exclusions, subject to the revenue thresholds detailed within our ESG-Related Exclusion Policy.

	COUTTS CUSTOM-BUILT FUNDS MANAGED BY BLACKROCK[i]	COUTTS DIRECT SECURITIES[ii]
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	✓	✓

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

Application of our exclusions

Our exclusions policy only applies to our custom-built funds managed by BlackRock and direct equity holdings. These funds are exclusive to Coutts Asset Management, which defines the investment parameters and ESG policies. For third-party fund managers, we are unable to enforce our exclusions policy upon the managers and so we actively engage with external fund managers with regards to their investments in companies which flag on our exclusionary policy.

Our exclusions are based on percentage revenue thresholds applied to companies in our investable universe. Companies can be added to our exclusions list if the revenue they derive from any of the listed activities exceeds the stated threshold. They can subsequently be removed from the exclusions list if their revenue drops below the prescribed threshold. For example, if a company demonstrated progress towards transitioning to a net-zero economy and no longer breached our exclusions criteria, they could be re-invested in. We rely on the availability of publicly sourced company data and the ability of our third-party provider, MSCI, to determine accurate revenue thresholds. We regularly review the methodology of our provider to gain comfort.

Setting our exclusions

Coutts Asset Management has implemented an exclusions policy since 2020. To add to the ESG exclusion policy, Coutts Asset Management must be able to explain the rationale for an exclusion. A member of the Responsible Investing team will evaluate the potential impact that an exclusion may have on a portfolio. These findings are included in an investment report, which is submitted to our Asset Management Investment Committee for approval. Once approved, the new exclusion will be added to our exclusion policy, and any necessary action to remove securities held in portfolios that conflict with that policy will be taken as soon as is practicable.

Monitoring exclusions

As part of our process for monitoring compliance with our exclusions policy we regularly review companies within our investable universe. We review our exclusion policy annually to ensure that it aligns with our approach to mitigating climate risk.

Exclusions on high-impact fossil fuels

Due to the slow pace of transition of the energy sector, there are certain investments where we believe engagement will not deliver timely phase-out of carbon intensive activities. As a result, whilst we do not exclude sectors from our investible universe, there are a number of business activities that we have excluded.

We currently have exclusions in place for thermal coal extraction and energy generation, tar sands extraction, Arctic oil or gas production as well as unconventional oil and gas. You can read more in our ESG-Related Exclusion Policy.

2023 PROGRESS EXAMPLE

Product-level climate data

Recent UK regulation requires asset managers to make climate-related information available for their products. In 2023, we published our first Product Climate-related Disclosures Report, which demonstrates both backward-looking product level climate metrics (emissions and Weighted Average Carbon Intensity), as well as forward-looking metrics (Implied Temperature Rise and Climate Value at Risk), in compliance with the requirements of the Financial Conduct Authority (FCA).

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. 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. More details are provided in Principle 4.

Stewardship informing prospective investment decisions

As part of our proprietary Responsible Investing Questionnaire developed by our Investment Strategy team, we ask prospective third-party fund managers to submit evidence of their engagement activity, including examples of successful and failed engagement. 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 Investment Strategy 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 ambitions into their investment strategy, if they've joined SBTi, and how they disclose 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 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. 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 engagement and voting priorities, 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 Limited, 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 its 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 available 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.

EOS CASE STUDY EXAMPLE:
Improving diversity, equality and inclusion within senior management

Company engaged	Bayer
Sector	Pharmaceuticals & Healthcare
Status	Success
Engagement theme	Female representation in senior management
Background to engagement	EOS began engagement with Bayer on female representation in senior management in 2019. Their expectation is that the company achieves greater than 30% female representation in both the management board and group leadership circle.
Steps taken	EOS first sent a letter to the chair of the supervisory board highlighting their corporate governance principles. They also encouraged a public ambition of approximate gender parity across the business to support the pipeline of future female senior managers. The company appointed a woman to the management board in February 2019. Following this, EOS continued to engage on the topic in 2019 and 2020. The company showed its commitment to improving gender diversity in senior management by announcing new targets as part of its ESG target setting programme. These were to increase the proportion of women in top management to 33% by 2025 (compared to 23% in 2020) and 50% by 2030; and to increase the proportion of women at all other management levels to 50% by 2025 (including upper and lower management which had reached 43% and 36% in 2020). In a visit by the company's ESG team to EOS' London office in 2022, EOS reiterated the importance of greater gender balance at the leadership level. As of the end of 2022, only one out of six (17%) management board members were female.
Outcomes	The company's 2023 annual report showed strong progress against the targets set in 2021. By the end of 2023, the proportion of women in top management (circa 550 employees), which encompasses the highest levels of management including the board of management, was made up of 32% women and the proportion of women in management reached 44%. This shows progress towards the company's 2025 goals. The company also maintained its 2030 target for gender parity across management levels to support the pipeline of future female senior managers.
Next steps	EOS will continue engaging about gender diversity on the management board as they expect to see a minimum of 20% for DAX40 companies.

Outcome

2023 PROGRESS EXAMPLE

Building on our Climate Transition Plan

In 2022, we developed the initial iteration of our Climate Transition Plan, identifying three levers that could contribute to our 2030 ambitions: increasing our allocation to net-zero aligned products, voting and engagement activity, and limiting our exposure to carbon intensive activities. In 2023, we focused on modelling the impact of different allocation decisions on progress against our 2030 ambitions, while looking qualitatively at the role that voting, engagement and exclusions play. We also set out three narrative scenarios that make assumptions about industry adaptation of net zero and product availability. More details can be found within the 2023 NatWest Group Climate-related Disclosures Report (page 78).

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 through:

- 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 custom-built 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 have also set out the key external dependencies in supporting the net zero 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 capacity to meet our allocation requirements.

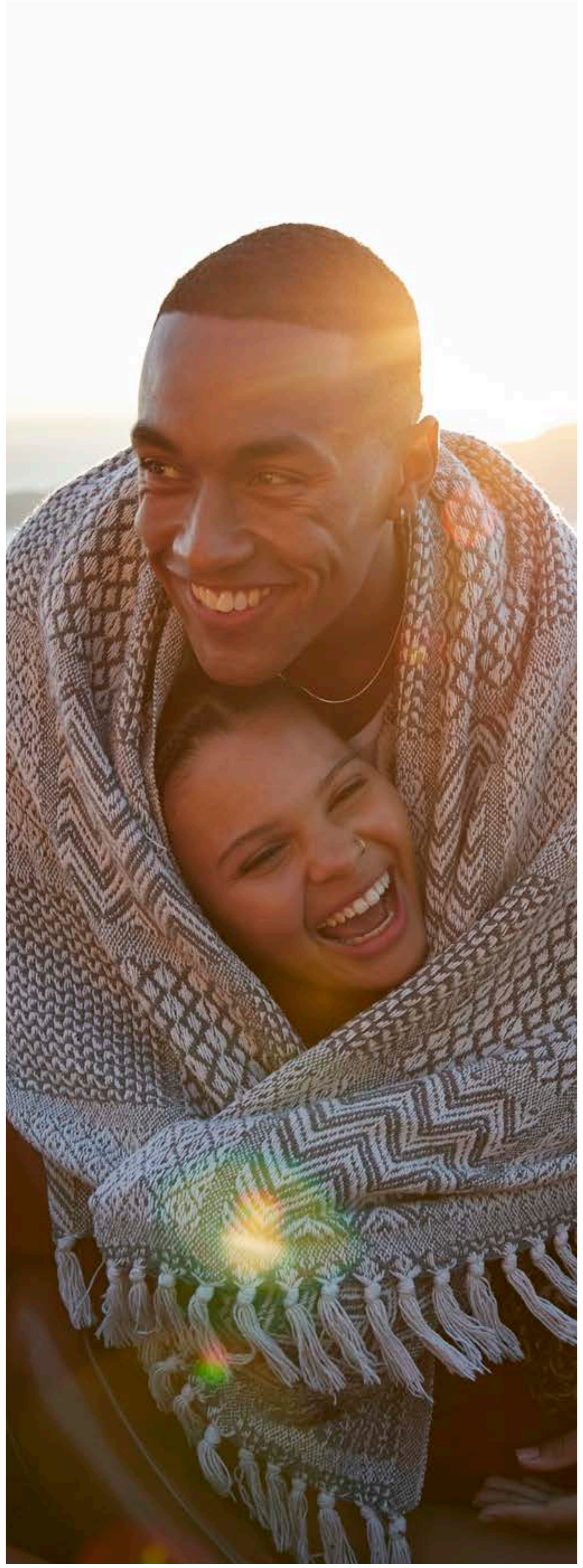
- As a global investor, we require decarbonisation to happen on a global scale rather than in isolated geographic segments, therefore requiring not only national policy action, but supranational cooperation and global consensus around how net zero will be achieved.

- Our Climate Transition Plan is heavily reliant on our assumptions around the required rate of decarbonisation (for WACI) and on what constitutes a credible net-zero pathway (for portfolio alignment). This means that any changes in assumptions can have a material impact on the outputs of our transition plan.

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.



PRINCIPLE 8

Fund manager & service provider accountability

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

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.

Monitoring fund 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 regular 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.

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 reassess if we should continue to maintain the fund on our buy list.

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 manager's 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 ESG implementation is 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 a regular basis to request updates, ask for clarification on data points or to collaborate on projects. As our Responsible Investing team has finite 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 Advisory Council, and feed into EOS' Client Satisfaction and Engagement Plan surveys, to help identify priorities for engagement going forward.

We request methodology details from our data providers on an ad hoc basis to help gain a better understanding of their data. Where we identify any gaps or inconsistencies, these are highlighted. While developing our carbon footprinting methodology, we worked closely with MSCI to ensure we were using data correctly and any assumptions were reasonable.

In 2023, NatWest Group updated our Supplier Charter to ensure it's a useful and accessible guide to working with us as a supplier. The charter sets out the Group's progress to date and our ask of our suppliers in relation to ethical business conduct, real living wage, prompt payment, human rights and modern slavery, environmental sustainability and diversity, equity and inclusion. We also added new guidance around digital accessibility, included some developments and provided learning opportunities for our suppliers and their wider value chain. The charter plays a key part in any tender or contract renewal process.

2023 PROGRESS EXAMPLE

Escalating engagement with a third-party fund manager

We have been engaging with a third-party fund manager on our buy list who has recently weakened their climate-related targets. We have held several meetings with the manager to express our concerns and our disappointment in their lack of alignment to our responsible investing commitments. We also engaged with industry peers to put additional pressure on the asset manager. We expressed to the manager that, if they do not change their stance, we will view them negatively compared to peers when we conduct our new fund searches and due diligence, which could lead to divestment discussions. We continue to engage and are discussing internally what escalation measures may be appropriate.

Given our dependency on third-parties to achieve their climate targets, we monitor future alignments to track progress against our own external ambitions through our Climate Transition Plan (see Principle 1).

Paris Aligned Investment Initiative (PAII)'s 'Net Zero Investment Framework' (NZIF)

Coutts' Net Zero Investment Framework (CNZIF) is based on the PAII's Net Zero Investment Framework (NZIF) guidance. Launched in 2021, the NZIF was a key output of the PAII, a collaborative investor-led forum to support investors in aligning their portfolios and investment activities to the goals of the Paris Agreement[12]. Coutts Asset Management continues to speak regularly with the IIGCC on updates and recommended enhancements, ensuring our framework remains relevant and aligned with the PAII's guidance.

The PAII's NZIF provides a common set of recommended actions, metrics and methodologies through which investors can maximise their contribution to achieving global net-zero 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.

2023 PROGRESS EXAMPLE

Human Rights Salient Issues

NatWest Group has published an initial identification of our Human Rights Salient Issues which can be accessed here – note, as Coutts Asset Management is the Centre Of Excellence for NatWest Group's investments (see Principle 2), we completed it from the 'Investor' perspective. This is intended to enable us to understand which actual and potential human rights impacts we should address with the greatest urgency and provide a basis to identify those human rights that are relevant for disclosure. It is an essential and first step in human rights due diligence in line with the UN Guiding Principles (UNGP) on Business and Human Rights and the prioritisation of our salient human rights issues will allow us to focus our efforts on carrying out a more in-depth assessment, including evaluation of our processes and policies.

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 at 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 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 1.5˚C limit within reach.

Our assessment, which is based on the assessment criteria set out by the PAII's NZIF 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.

Our portfolio alignment metric shows the extent to which funds are deemed to be achieving, aligned or aligning to net zero. The metric combines qualitative and quantitative, backward and forward-looking information to assess each fund that we hold in our Managed Assets.

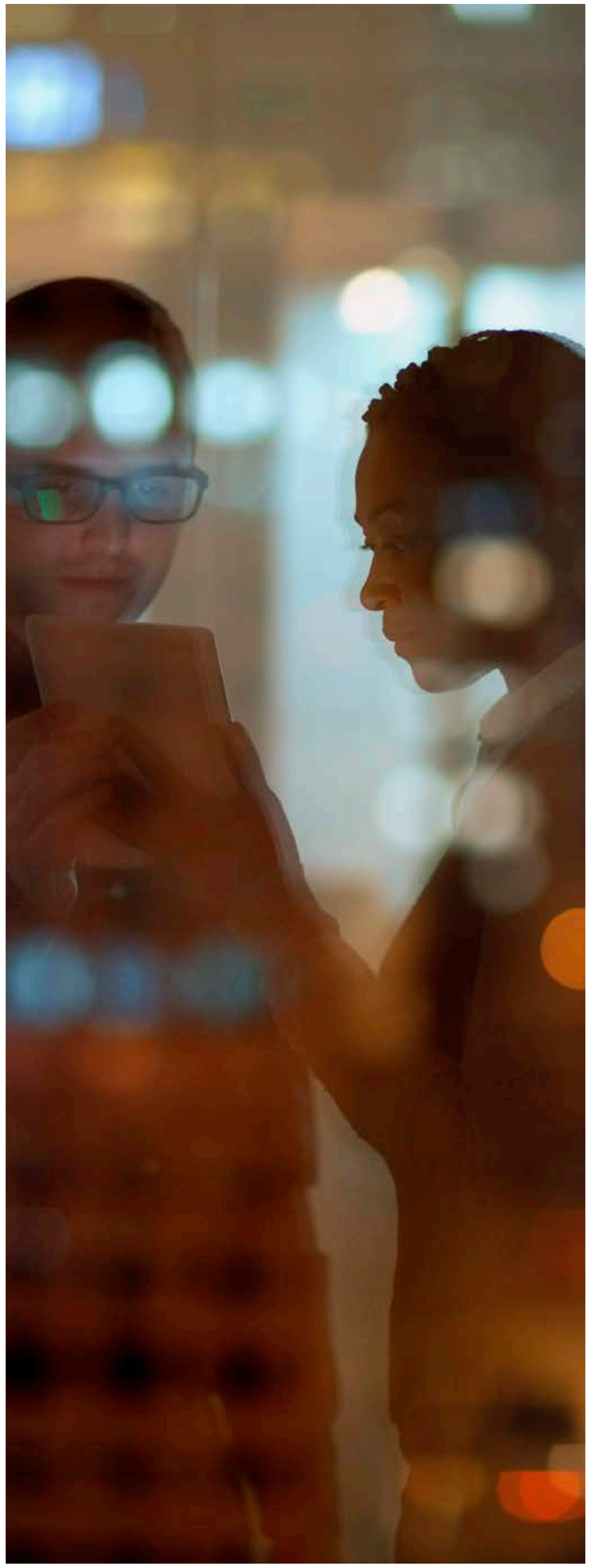
We communicate progress versus net-zero trajectories within our core investment models via quarterly ESG Factsheets.

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.

EOS CASE STUDY EXAMPLE:
Engaging on the UNGC Principle on Human Rights

Company engaged	Pacific Gas & Electric Company (PG&E)
Sector	Energy
Status	Success
Engagement theme	Controversy linked to UNGC Principle 1: Human Rights
Background to engagement	Pacific Gas and Electric Company (PG&E) is a utility company that provides natural gas and electricity. EOS began engaging with PG&E in 2016 regarding the company's progress around updating infrastructure and improving its health and safety performance. The company was flagged as non-compliant with the UN Global Compact Principle 1 – Human Rights due to wildfires in 2017, 2018, and 2019, caused by sparking powerlines. One fire destroyed the town of Paradise, California, killing 84 people and destroying 14,000 homes. As a result, the company filed for bankruptcy in 2019. EOS challenged the company on whether the board was providing sufficient oversight and expressed concerns at the degree to which safety had been integrated into the culture of the organisation following the perceived negligence of environmental and social issues.
Steps taken	In 2022 and 2023, EOS engaged with the company regarding its management of human rights risks, board level oversight, and proactive management of risks to prevent recurrence, and encouraged the company to consider joining the UN Global Compact and provide additional disclosures through Task Force on Climate-related Financial Disclosures (TCFD) scenario analysis. EOS reiterated this was an expectation for clients.
Outcomes	During an engagement in 2022, the company informed EOS it had undergone a cultural change after the wildfires and refreshed the entire board. In addition, it had integrated its human rights policy into the workforce, supplier, and community strategies. In addition, the company highlighted its wildfire engagement plan and that it was introducing technology to address risks the company had not been able to detect. It was also looking to deploy artificial intelligence for its cameras for heightened oversight and risk detection of wildfire risks. The company assured us it continued to engage with communities and filed monthly data with a regulator around wildfire prevention. These actions have been sufficient to improve the company's wildfire risk mitigation, and in 2023 it was downgraded from non-compliant to watchlist.



12. Paris Aligned Asset Owners Net Zero Investment Framework

PRINCIPLE 9

Engaging with issuers

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

We work with EOS at Federated Hermes Limited, which engages with companies held within our custom-built 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, 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

EOS CASE STUDY EXAMPLE:
Combating plastic pollution

Company engaged	DuPont de Nemours
Sector	Chemicals
Status	Success
Engagement theme	Disclosure on plastic pollution
Background to engagement	EOS supported a shareholder proposal for an annual report on plastics pollution at Dupont's annual meeting in the spring of 2021. The proposal received majority support from shareholders.
Steps taken	During an engagement with the chief technology officer in 2021, EOS asked the company how it was responding to the shareholder proposal on plastics pollution. The company stated that it had dedicated internal resources to this issue and was preparing for external disclosure within the next few years but was not yet ready for externally disclosing data.
Outcomes	In 2021, EOS welcomed the company's partnership with Operation Clean Sweep and its plan to report on plastics pollution. The following year, the company reported the number and volume of incidents of unrecovered releases of plastics greater than 0.5kg for the period July 2021 to December 2021 and committed to disclose this data annually. The data showed that the company had an unrecovered release of 18.7kg of plastic resin to land from a transportation incident that occurred in 2021. In EOS' 2023 discussion on the proxy, the company said it had no unrecovered plastic release incidents greater than 0.5kg in 2022 and had zero spills. EOS engaged further with the company on its plastic pollution disclosure in 2023 confirming that Dupont does not operate many plastic production plants but continues to use plastic in some of its products. The company is mindful of the effect it has on nature and the need for transparency. It continues to be a member of Operation Clean Sweep which requires reporting on plastic releases into the environment and is committed to disclosing this information annually in its sustainability report.

EOS CASE STUDY EXAMPLE:
Improving chemical production and disclosures practices

Company engaged	3M
Sector	Industrials
Status	Success
Engagement theme	Hazardous substance management
Background to engagement	EOS initiated our engagement with the company on hazardous substance management in 2020. In particular, they focused on the company's use of fluoropolymers; a subset of per- and polyfluoroalkyl substances (PFAS), chemicals that do not naturally break down, thus accumulating over time in water, soil and the human body. Throughout engagement, EOS asked the company to develop a timebound strategy to reduce and eventually eliminate the manufacture of fluoropolymers, including identification of more environmentally sustainable alternatives. The company was receptive to the concerns raised.
Steps taken	In September 2022, EOS wrote to the company's CEO as one of 47 signatories representing $8 trillion in assets under management/advice regarding the company's chemical production and disclosure practices. A similar letter was sent to the CEO in December 2021. EOS asked the company to increase transparency on the type and volume of hazardous substances it produces, particularly in non-US and EU markets where disclosure requirements are not as stringent. EOS reiterated their request for the company to cease production of PFAS given the financial risks associated with litigation and increased costs associated with reformulating products and modifying processes.
Outcomes	In December 2022, EOS welcomed 3M's announcement to exit PFAS manufacturing by the end of 2025. This decision included discontinuing the use of PFAS across its product portfolio including all fluoropolymers, fluorinated fluids, and PFAS-based additive products. EOS noted the company's estimate of the financial impact from its decision at around $1.3 billion which represents the current annual net sales of manufactured PFAS. In a 2023 engagement, the company confirmed it will facilitate an orderly transition for customers in meeting its commitment, intending to fulfil current contractual obligations during the period to 2025. The company is continuing to innovate for new non-PFAS solutions for its customers and remains committed to ensuring that its products continue to be safe for their intended use. In this regard, 3M is working closely with suppliers and customers as part of the exit PFAS transition and in line with its stated commitment. EOS appreciated that 3M's decision was based on careful consideration and evaluation of the hazardous substances landscape including increased global regulation and changing stakeholder expectations. In making this commitment, 3M has demonstrated strong leadership among PFAS producers.

EOS CASE STUDY EXAMPLE:
Targeting plastic reduction

In the interest of improving transparency, this example illustrates where an engagement was not able to go far enough to support stewardship goals.

Company engaged	Tesco
Sector	Retail & Consumer
Status	Partial failure
Engagement theme	Circular Economy & Waste – Set targets on plastic reduction
Background to engagement	EOS have been engaging Tesco on their overall approach to managing plastic waste since 2018. With peers setting plastic reduction targets, EOS laid out their expectations for Tesco to do the same.
Steps taken	In 2019, EOS welcomed news of the company's audit of every product against its packaging hierarchy ('remove, reduce, re-use, and finally recycle') and the broadening of this approach to branded products. While this progress was encouraging, EOS remained concerned over the absence of targets. In 2021, the chair joined EOS' Client Advisory Council for a live engagement, where EOS again challenged the company's approach to plastic reduction. The chair explained that the company sets annual internal targets to remove an absolute number of pieces of plastic, but he acknowledged the absence of a longer-term target on reducing the plastic footprint as a proportion of packaging and agreed to revisit the question of target-setting internally. At their most recent meeting with the head of packaging in 2023, EOS pushed the company to set clear targets on reducing plastic as a proportion of total packaging footprint. The company explained it remains committed to removing and reducing plastics, including via its traffic light assessments, but that the policy landscape is uncertain, resulting in the company focusing on advocacy rather than target-setting.
Outcomes	In 2019, EOS learnt that subsequent reporting would disclose the proportion of products with plastic packaging removed, but they are yet to see this. While the company discloses its total plastic footprint, this appears to oscillate between years, and so EOS are unable to properly assess the impact of Tesco's reduction efforts. Coupled with the absence of targets, EOS do not have visibility over Tesco's longer-term commitment to maximising plastic removal and reduction opportunities. However, having learned that the uncertain policy landscape is not facilitating ambitious action across the industry, as highlighted by the UK Plastics Pact, EOS are cautious to conclude that Tesco is not effectively managing plastic-related risks. Indeed, this macro context means that several peers are not on track to achieve targets. Here, EOS are reassured that Tesco has led meaningful progress for the industry, including convening industry players to develop a red/amber/green (RAG) preferred materials framework, which has established a hierarchy of packaging materials based on their compatibility with a circular economy.
Next steps	The regulatory landscape is expected to become more demanding over the coming years, including via the UN Plastics Treaty. EOS will continue to engage Tesco to ensure maximum preparedness for stringent regulation and to mitigate the company's adverse impacts. To unlock progress, EOS are encouraging the company to publicly align its proactive advocacy with ambitious policy on plastic reduction, supported by targets related to the RAG framework to support transparency and accountability.

PRINCIPLE 10

Collaborative engagement

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.

We are signatories and participants of Climate Action 100+ (CA 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. We believe that collective engagement can provide companies with clarity on broader investor priorities, which supplements the effectiveness of our individual engagements. 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 over 65 engagement initiatives in 2023.

Complementary to our engagement in Climate Action 100+, we work with other asset managers to improve their ownership practices through ongoing conversations and sharing best practice.

We take part in annual reporting on our responsible investing activity through PRI and CDP, and have joined the Institutional Investors Group on Climate Change (IIGCC) and Net Zero Asset Managers initiative, as part of which we attend workshops and participate in working groups. In addition, we have joined working groups on key regulations to which Coutts Asset Management are subject to, such as the FCA's Sustainability Disclosure Requirements (SDR).

We actively support the development of transparent and detailed 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.

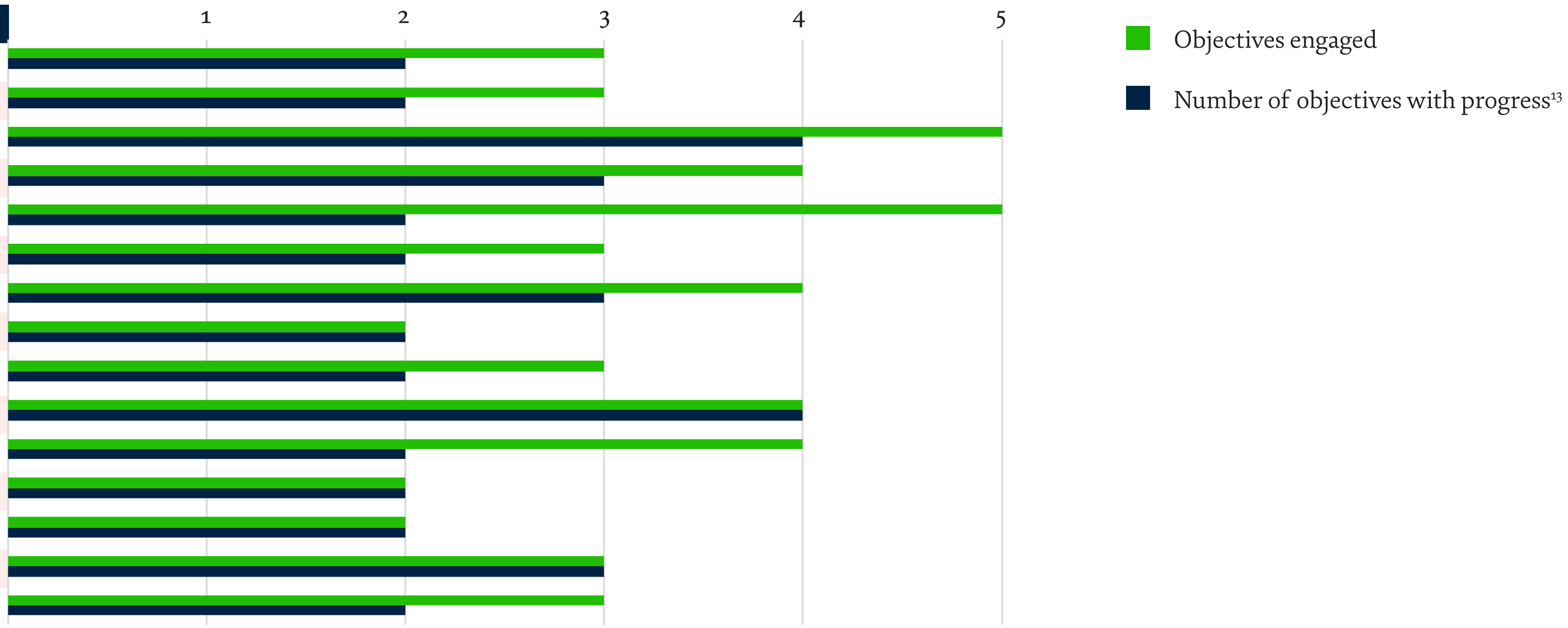
EOS CASE STUDY EXAMPLE:

Improving climate metrics in renumeration policy

Company engaged	Engie
Sector	Utilities
Status	Success
Engagement theme	Climate metric in the remuneration policy
Background to engagement	EOS first requested that the company introduces a climate metric to the executive remuneration incentive plans in a meeting with the chair in 2018, as part of the collaborative engagement initiative Climate Action 100+.
Steps taken	A year later, EOS again pushed the company to embed its new near-term decarbonisation targets into remuneration, repeating this in 2020 when they again met with the chair alongside CA100+ members. This time, the chair confirmed it would add a climate metric by the 2021 AGM, so EOS followed up with a joint CA100+ letter to the chair and the board encouraging progress on this point. Around the 2021 AGM, EOS wrote to the company and welcomed the inclusion of climate-related metrics in the short-term incentive plan (STIP), most usefully a target on reducing the greenhouse gas emissions from electricity production. However, EOS encouraged the company to introduce similar metrics to the long-term incentive plan (LTIP) as well. From 2022 to 2023, EOS saw progress in the STIP and LTIP where climate-related metrics were gradually incorporated. However, EOS encouraged the company to provide greater clarity on the quantitative criteria used and how these relate to vesting thresholds. They wrote to the company ahead of its AGM to communicate their expectations.
Outcomes	EOS were pleased to see their feedback implemented at the 2022 AGM where two climate-related metrics were introduced to the LTIP: increase the proportion of renewable capacities and reduction of CO_2 from power generation. In 2023, in a meeting with the company, they asked it to disclose all minimum/maximum and target thresholds for the climate-related metrics in both its STIP and LTIP. In a later joint investor meeting they received some reassurances from the chair on how these metrics are tested in the absence of public thresholds but still encouraged full and proper disclosure in line with best practices.

PROGRESS OF ENVIRONMENTAL OBJECTIVES FOR SELECTED CA100+ COMPANIES ENGAGED BY EOS, 2023

Company name	EOS sector	Participation
Air Liquide	Chemicals	Co-lead
Dow	Chemicals	Co-lead
LyondellBasell Industries	Chemicals	Co-lead
Lockheed Martin	Industrials	Co-lead
Exxon Mobil	Oil & Gas	Support
Shell	Oil & Gas	Support
Suncor Energy	Oil & Gas	Support
Glencore	Mining & Materials	Support
ThyssenKrupp	Mining & Materials	Support
Hon Hai Precision Industry	Tech Hardware & Equip	Co-lead
Caterpillar	Transportation	Support
Bayerische Motoren Werke (BMW)	Transportation	Co-lead
Mercedes-Benz Group	Transportation	Co-lead
Volkswagen	Transportation	Co-lead
Power Assets Holdings	Utilities	Co-lead



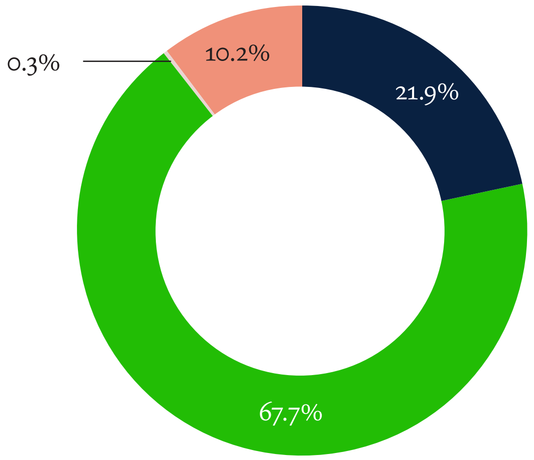
Source: EOS data

13. 2023 Annual Review (page 16)

SHAREHOLDER PROPOSAL VOTING SUMMARY (2023)

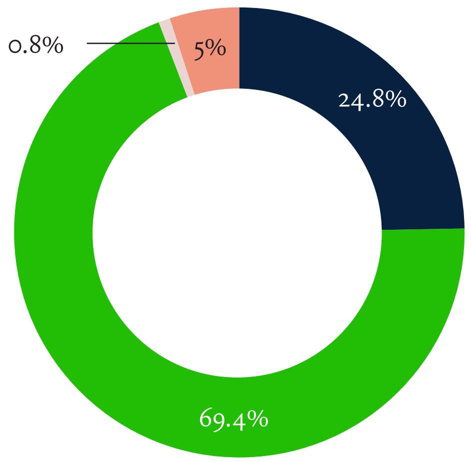
Global

EOS made voting recommendations at **677** meetings (**11,253** resolutions) over the last year.



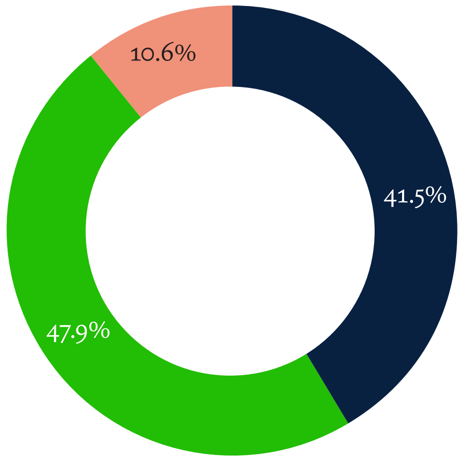
Europe

EOS made voting recommendations at **242** meetings (**4,599** resolutions) over the last year.



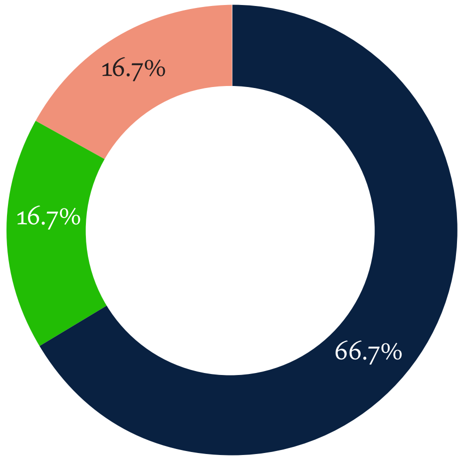
United Kingdom

EOS made voting recommendations at **94** meetings (**1,946** resolutions) over the last year.



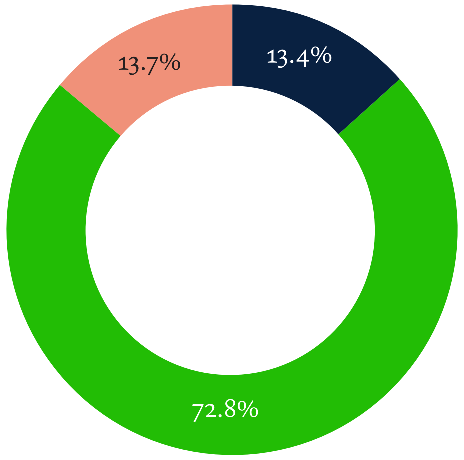
Emerging Market

EOS made voting recommendations at **6** meetings (**54** resolutions) over the last year.



North America

EOS made voting recommendations at **335** meetings (**4,654** resolutions) over the last year.



- Total meetings in favour
- Meetings against (or against AND abstain)
- Meetings abstained
- Meetings with management by exception[14]

14. 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

Escalating stewardship activities

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

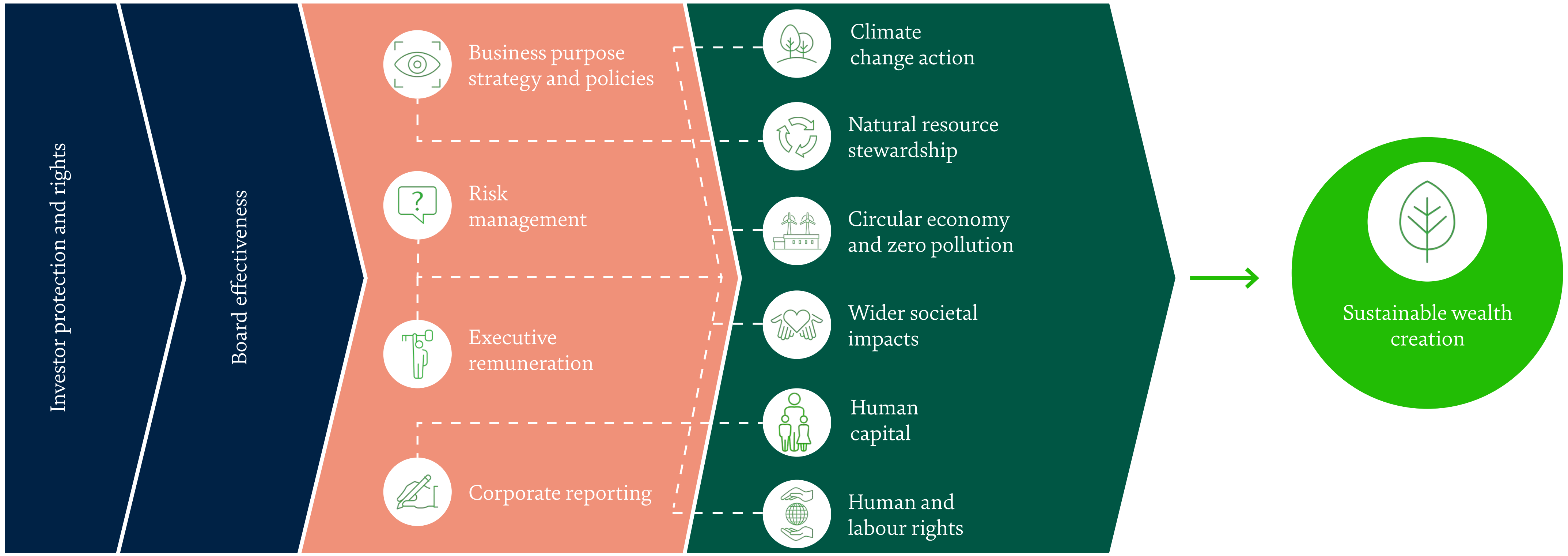
Our Responsible Investing Policy clearly outlines what we expect of third-party funds and listed companies and what they can expect of us. Together with our Responsible Investing Questionnaire, they set out our expectations and form the basis of engagements with funds and companies on a wide range of 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 BlackRock managed funds to EOS at Federated Hermes Limited. 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 themes identified below are the focus of the 2024-2026 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 continuous dialogue at the board and senior executive level, which has proven to be effective over time. 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



Escalating engagements

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

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.

Escalating concerns to fund manager

Before introducing any new exclusions to our custom-built funds managed by BlackRock, we will engage with the sub-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.

2023 PROGRESS EXAMPLE

Engaging on net zero

In 2023, net zero was a priority discussion topic when engaging with third-party managers. We engaged with fund managers in both virtual and in-person meetings to explain Coutts' net-zero ambitions and to suggest changes that fund managers could make in order to align their businesses with a net-zero trajectory. We also explained our net-zero assessment approach, and what could be done at the fund level in order to improve how a fund scores against our framework. For example, improved carbon reporting enables us to measure a fund's progress against climate-related targets.

EOS CASE STUDY EXAMPLE:
Improving responsible climate lobbying practices

Company engaged	Air Liquide
Sector	Chemicals
Status	Success
Engagement theme	Public policy advocacy
Background to engagement	During a meeting with the head of sustainability in 2018, EOS reiterated the message of a letter they co-signed to the chair and CEO on corporate climate lobbying. The four key requests were to: lobby positively in line with the Paris Agreement; have robust governance procedures on climate-related lobbying; act when unaligned; and be transparent. EOS asked the company to be transparent about its policy positions. EOS also outlined expectations for the company to actively engage with trade associations and be prepared to discontinue its membership or support changing direction, when there is misalignment with the company's own commitments.
Steps taken	The following year, in 2019, EOS reiterated their concerns and noted the low score given to Air Liquide by InfluenceMap, a non-government organisation that monitors and ranks companies on their climate lobbying activities. In 2020, EOS organised a Climate Action 100+ (CA100+) engagement with the company where InfluenceMap presented its scoring methodology. The company explained that its lobbying activity had been limited. Considering the increasing importance of the energy transition for the company, it clarified that it was already working to align with Paris Agreement goals and that this new structure would strengthen corresponding compliance processes, engagement and actions. In December 2021, Air Liquide published a new code of conduct and a first set of guiding principles for engagement with public stakeholders. Due to its presence in more than 70 countries, the company indicated its intention to review its trade associations in its key geographies where it has active engagement with policy makers. However, this fell short of EOS' expectations due to the absence of a full global review of lobbying activities and of an explicit commitment to conduct all lobbying in line with the Paris Agreement goals. EOS noted Air Liquide was yet to meet key indicators on climate policy engagement under the CA100+ net zero company benchmark assessment and reiterated our expectations. To help accelerate progress, ahead of the 2022 annual meeting, EOS co-signed another investor letter to the chair and CEO requesting an annual comprehensive review of all lobbying activities and to share a newly launched global standard on responsible lobbying. In a follow-up engagement, the director of European & International Affairs committed to publishing an annual summary of the 15 trade associations where it is most active in Europe and the US.
Outcomes	In February 2023, the company published an updated version of its 'engagement with public stakeholders' which states that it will ask all its associations to explicitly align with the Paris Agreement's goals or contribute to net-zero pathways as outlined by the International Energy Agency (IEA). Air Liquide also committed to publishing an annual summary assessment of the trade associations where it is most active in Europe and US and a first review was published in March 2023. These efforts resulted in improvements under the climate policy engagement indicators of the latest CA100+ net zero company benchmark assessment. EOS are confident future disclosures on this will continue to improve with a full global review of lobbying activities for all of the trade associations where Air Liquide is a member.
Next steps	EOS will continue to monitor Air Liquide's annual lobbying activity and also engage on other climate-related topics, including science-based targets for Scope 3 emissions, and the integration of climate risks and the company's decarbonisation pathway in the annual accounts.

PRINCIPLE 12

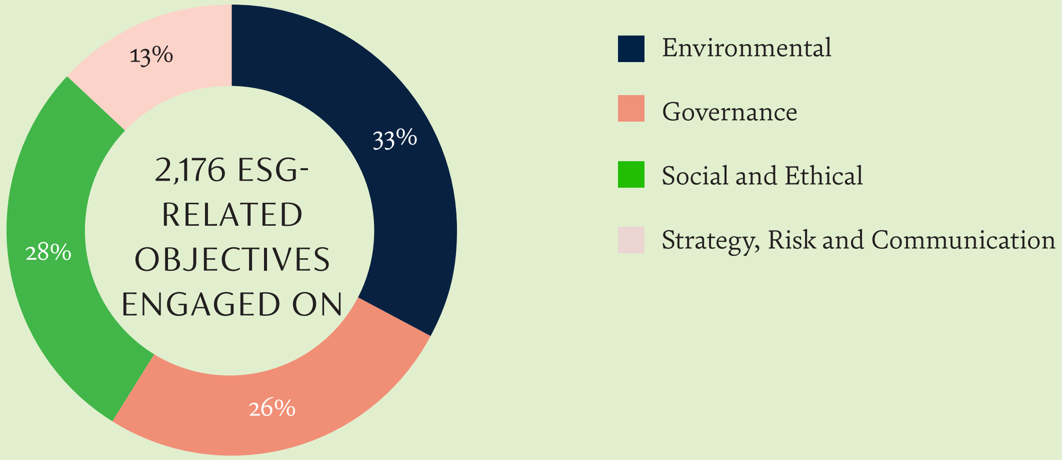
Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

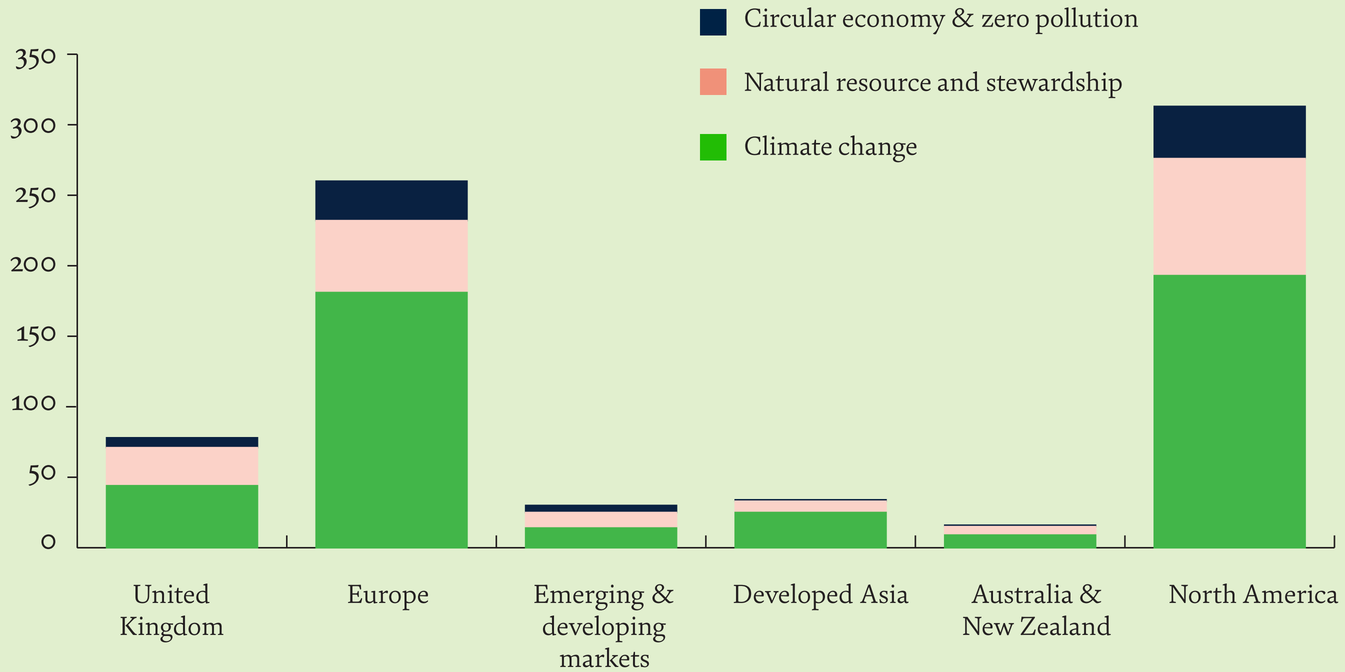
2023 PROGRESS EXAMPLE

Our voting and engagement stats

In 2023, we voted on 11,253 resolutions at 677 meetings and engaged with 411 companies on 2,176 environmental, social, governance, strategy, risk and communication issues and objectives. Approximately 33% of engagements focused on environmental topics such as climate change and natural resource stewardship. You can read more within the 2023 Annual Review.



CLIMATE CHANGE ISSUES AND OBJECTIVES ENGAGED BY REGION



Listed equity – our voting policy

Within our custom-built fund range managed by BlackRock, 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 our custom-built 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 a third 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.

Overriding voting recommendations

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 May 2022, when we voted against EOS' recommendation to approve a 'Net Zero - From Ambition to Action Report'.

We have voting power for the shares held within our custom-built funds range, which make up approximately two-thirds of our funds and portfolios. EOS provides voting recommendations for all equity holdings within our custom-built funds, tailoring their voting recommendations based on local governance standards and culture. Our custom-built fund range currently covers the following geographic areas: the United States, 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 custom-built funds are monitored by BlackRock, which provides 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 custom-built fund range, we will not lend in excess of 50% 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 2023 voting activity

In 2023, we engaged with 411 companies on 2,176 ESG related issues and objectives. EOS provides our full voting and engagement records, which 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.

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, we 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.

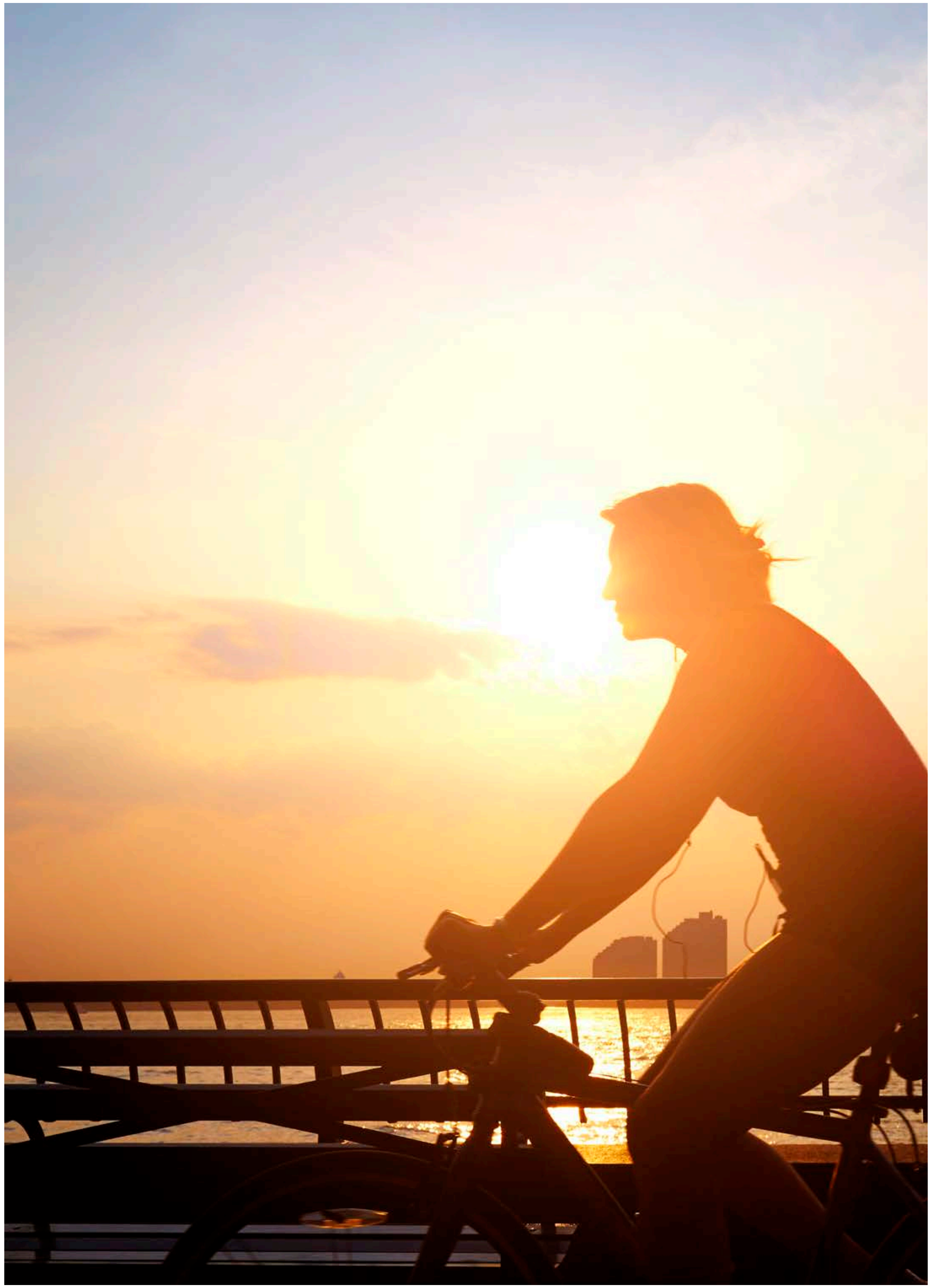
Our approach to stewardship differs between our equity and fixed income holdings insofar as we do not have any voting rights to exercise within our fixed income holdings. However, we do not distinguish between equity and fixed income when it comes to engagement. This means that we set the same expectations for fixed income and equity third-party funds and work with EOS to engage on all custom-built funds managed by BlackRock (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 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.

IMPORTANT INFORMATION



Certified

Corporation