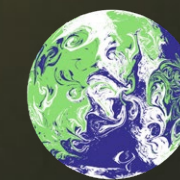




# THE POWER OF SUSTAINABILITY

OUR COMMITMENT TO OUR CLIENTS TO BUILD A BETTER WORLD FOR TODAY AND FOR THE FUTURE



PRINCIPAL PARTNER  
UN CLIMATE  
CHANGE  
CONFERENCE  
UK 2021

IN PARTNERSHIP WITH ITALY





# CEO LETTER

*“You have such power. Please use it because we can’t wait,” Sir David Attenborough told us when speaking at our London headquarters to clients in June 2019. “The levers that need pressing may well lie within this room. The urgency cannot be exaggerated. We have to do it now.”*

Climate change is one of the most complex challenges humanity has faced, and it will require integration that goes beyond the application of sustainable strategies on pre-existing models. This fight requires nothing less than the recalibration of what we consider progress. At Coutts, we recognise this and are striving to have a positive and significant impact. We should only invest in a world in which we want to live. Our decision to become a B Corp, working for the benefit of society and not just our own stakeholders, was made in recognition of this and because we know that just as the challenges that face us are connected, so are the solutions. No organisation can do this alone of course. As an active member of the B Corp community, we will support and encourage our entrepreneur clients to join us in our push for a better world.

This year’s UN Conference of Parties on Climate Change (COP26) has the stated goal of engaging the power of finance in the fight against climate change. We are proud to be a Principal Partner of the Glasgow conference because we have a responsibility

to achieve and advocate a level of sustainability in all our operations. To date, Coutts has reduced the carbon intensity of the equity component of our funds and discretionary portfolios by 32%<sup>1</sup> on average, compared to our baseline of 31st December 2019. We also no longer invest in companies that derive more than 5% of revenues from thermal coal extraction, tar sands or Arctic oil and gas exploration. We are proud to have joined the Net Zero Asset Managers Initiative: a collaboration representing the management of close to 50% of global assets under management and which supports our ambition of reaching net zero emissions<sup>2</sup> across our investments by 2050. In addition to this, we continue to use our shareholder engagement and voting rights to enact sustainability policies in the companies in which we invest.

As institutions and as individuals, we are transitioning towards sustainability. Coutts is privileged to count businesses, entrepreneurs and CEOs who are actively addressing climate change as clients. We continue to learn so much from our clients’ passion and proactiveness in protecting our world – their contribution, in every sense, is invaluable.

We want our clients’ money to go further. It is their power as investors that will develop and fund much of the change that needs to happen in the coming years. The technologies to support the storage and creation of sustainable energy, insulation, carbon capture and efficient infrastructures all need financial partnerships. Further, they need advocacy to champion the change they are making and to prove their mandate.

This is one half of the mission for Coutts and many other financial institutions that are now building sustainable operations. Parallel to this, sustainable finance is the proof point of sustainable profit. Sustainability is synonymous with prudent investing because it is more viable for value in the long-term, and because this is the space in which the greatest growth opportunities live.

The human economies which we impose on the world must develop their own ecologies, sustainable in their own right with the ability to evolve and adapt – here, good finance can be the lifeblood. The jeopardy is real but so is the possibility; we must move from one to the other. We must continue to make changes if we are to thrive. If we want a prosperous future in the age of climate change, then this is not a choice. To reference Sir David, we have the power and we have to use it now.

PETER FLAVEL, CHIEF EXECUTIVE



<sup>1</sup> Data is based on Core AuM funds and portfolios (PPF, CMAF and DPS) for the period between 31st December 2019 and 30th September 2021.

<sup>2</sup> We are aligned to the Net Zero Asset Managers net zero definition: 'net zero greenhouse gas ('GHG') emissions by 2050, in line with global efforts to limit warming to 1.5°C ('net zero emissions by 2050 or sooner').'



## THE METRICS MAKE THE DIFFERENCE

OUR PATH TO ACHIEVING OUR NET ZERO EMISSIONS AMBITION ACROSS OUR INVESTMENTS:



## SUSTAINABILITY IN ACTION:

### OUR B CORP ASSESSMENT SCORE:

83.2

In July 2021, Coutts officially became a B Corporation. We scored 83.2 in a verified assessment of our environmental and societal performance. This compares to the median score for ordinary businesses of 50.9.

### BEING AN ACTIVE SHAREHOLDER:

73%

We stood up for ESG issues and opposed one or more resolutions at 699 of 955 meetings in the first half of 2021.

### INVESTED IN GREEN GILTS:

£220<sub>M</sub>

We acquired £220m of the first ever issue of UK green gilts in 2021; £120m on 21st September and £100m on 21st October. Proceeds from the issuance are earmarked solely to be invested in environmentally beneficial projects.





# OUR COMPANY

Sustainability starts with us as a company, how we operate and do business. These are the steps we are taking to make sure we meet the highest possible environmental and societal standards.





# BECOMING A B CORP

In July 2021, Coutts officially became a B Corporation. It is a key step in our journey to meet the highest standards of social and environmental performance across the business.

As a certified B Corp, we must consider the impact of our decisions on a wide range of stakeholders – not just shareholders but our clients, our employees, the wider community, and the environment. To that end, we amended our articles of association to require our board of directors to make sure we always balance profit and purpose.

“As we started to put together our ESG plans several years ago, we asked ourselves, ‘how are we going to measure ourselves? How are we going to define success?’ We didn’t want this to be just words, we wanted our people to walk the talk and continue doing so.” – Peter Flavel, CEO Coutts

## THE B CORP ASSESSMENT

In order to become a B Corp a business has to achieve a minimum verified score on the B Impact Assessment (BIA) – a rigorous external assessment of the company’s impact on everything from our company governance to how we care for our colleagues, and from our environmental impact to what we contribute to the community.

For example, we scored highly for ethics and transparency of governance, the health, wellness and safety of employees, and customer stewardship. Full details of Coutts’ BIA are available to view on the [B Corp website](#).



Certification is also not a one-off box-ticking exercise – all B Corps have to re-certify every three years to ensure that they continue to meet the BIA’s evolving standards. They are also required to complete an annual impact report to show the progress they are making.

B Corp certification not only provides independent recognition of our responsible approach to managing our clients’ wealth and the positive impact we are having on society, but is now an integral part of Coutts’ ethos, guiding our thinking into the future. We encourage our clients, our peers within finance and the companies we invest in to take the online B Impact Assessment to benchmark their organisations and help them to become more sustainable.

*“When we saw that one of the ambitions of the B Corp community is to accelerate a global culture shift to redefine success in business and build a more inclusive and sustainable economy, we knew we had to be a part of it.”*

Peter Flavel, Coutts CEO





# PLOTTING A PATH TO NET ZERO

## OUR AMBITION IS TO REACH NET ZERO EMISSIONS ACROSS OUR MANAGED INVESTMENTS BY 2050

To achieve this, we intend to set science-based targets aligned to the Science-Based Targets Initiative (SBTi). SBTi provides a framework for defining and measuring targets for companies to reduce their greenhouse gas (GHG) emissions and achieve what the latest science deems necessary to meet the goals of the Paris Agreement. Those goals are to limit global warming to an increase of less than 2°C above pre-industrial levels, ideally achieving a rise of less than 1.5°C.

Central to our climate strategy is a whole system approach to address the root causes of emissions. This means looking at our three spheres of influence:

### 1. OUR OPERATIONS & CULTURE

As part of NatWest Group, we are currently net zero carbon<sup>3</sup> across our own operations through a combination of emissions reductions and, largely, carbon offsetting through the purchase of internationally recognised [TIST Carbon Credits](#). We continue to embed climate change into how we run our business in addition to fostering a culture of personal climate action. This means reviewing the carbon footprint of our offices (the energy, water use and waste from our buildings), and our supply chain (the environmental impact of the goods and services we use). We also support our employees to review their carbon footprint (through Giki Zero which is currently in pilot).



### 2. MANAGING WEALTH FOR NET ZERO TRANSITION

Most of our carbon footprint is a result of our investments (an estimated 90% of Coutts' overall emissions) and lending (an estimated 8% of Coutts' overall emissions), and we are already taking significant steps to reduce this. We have set a target to halve the level of carbon intensity of our discretionary portfolios and funds by the end of 2030 (compared to 31 December 2019). We are also on track to reduce the level of carbon intensity for the equity component of our discretionary portfolios and funds by 25% by the end of 2021 (compared to 31 December 2019). We exclude high-impact fossil fuels from our Coutts funds managed for us by Blackrock

and our direct investments. We are also a member of the Net Zero Asset Managers Initiative. We also have an ambition that 50% of our mortgage book will be secured against homes with an Energy Performance Certificate (EPC) rated C or above by 2030.

### 3. INSPIRE & ENABLE ACTION IN OUR CLIENTS

Coutts clients are concerned about climate change and would like support to address it. We aspire to enable and support our clients to reduce their carbon footprint. We will also work with the government, industry peers and stakeholders to achieve net zero emissions.

### ACTIONS UNDERWAY

We are aligned with [NatWest Group's commitments](#). These include:

- plans to achieve Climate Positive by continuing to reduce emissions 25% by 2025 against a 2019 baseline, while maintaining carbon offsetting at 2019 residual levels
- maintaining zero waste to landfill in the UK and the Republic of Ireland; and
- exclusive use of renewable electricity in our direct operations by 2025.

We are founding supporters of the tree planting initiative [Queen's Green Canopy](#) and signatories of [The Terra Carta](#), which aims to give fundamental rights and values to nature and create a more sustainable future.

<sup>3</sup> NatWest Group define Net Zero Carbon as "a state where no incremental greenhouse gases are added to the atmosphere, with remaining emissions output being balanced by the removal of carbon from the atmosphere"





# OUR CLIENTS

Crucial to our sustainability journey is how we can inspire and enable our clients on theirs. From investment advice to philanthropy strategies, we support our clients at every step.



# ADAPTOGEN CAPITAL



“THE TRANSFORMATION THAT’S REQUIRED,  
FEELS EQUIVALENT TO A VICTORIAN SCALE  
INDUSTRIAL REVOLUTION.”



# POWERING THE PATHWAY TO NET ZERO

James Mills has invested in the energy sector since the mid-1990s, but what is happening today feels unprecedented. The energy transition from fossil-based power to a de-carbonised renewable energy system is moving apace and the numbers are staggering –renewable energy output has increased ten-fold in the UK since 2010, according to a report by [Imperial College London](#). The report found that together wind, solar, hydro and biomass provided more electricity (104 terawatts) than fossil fuels for the first time in 2020; over the next 10 years, the UK is set to quadruple the amount of offshore wind energy it produces to 40 gigawatts.

Achieving the seismic shift to a sustainable, electrified economy will require huge levels of investment, and this is where James and his partners at [Adaptogen Capital](#) are looking to play a pivotal role. Adaptogen was founded to invest in the new energy storage asset classes that will be critical in providing the flexibility and resilience needed for an energy grid built around renewables.

“The UK is genuinely at the cutting edge of building a high renewable energy penetration grid. What we saw during the Covid crisis is we can actually run a system at 70% renewables today,” says James. “The difficult thing is it means we’re going to have to completely transform the way we manage our energy grid because we will be running it with intermittent energy generation. For me, battery storage assets and the inherent flexibility they bring are the crucial catalyst that will accelerate us to a fully decarbonised grid.”

James points to market estimates that the UK will need to build up to 10 gigawatts of battery storage assets by 2030 to support the additional renewable power coming online. That could equate to over 100 battery storage sites, each many acres in size. And while lithium-ion batteries will increasingly avoid some of the more unfriendly metals such as nickel, the industry also needs to look in the medium term

to a fully recycled supply chain process for storage components. It’s a massive scale development and one that requires specialist capital that understands both the challenges and opportunities of such a high-potential emerging sector.

Adaptogen Capital is being launched as a specialist investment firm backed by its cornerstone family office investors and high net-worth individuals. These close relationships are crucial and have enabled Adaptogen to explain the risks and rewards of this transformational technology. The importance of personal relationships and networks are also a key reason why Adaptogen turned to Coutts.

*“It’s fundamentally about relationships. Coutts knows us as individuals, understands our capital base and our business track records, and therefore it was perhaps easier and most natural for Coutts to support us in a new entrepreneurial company than any other bank. And I think that’s incredibly valuable.”*

James Mills







## HOUSE OF BAUKJEN

“I THINK A LOT OF PEOPLE WANT TO DO WHAT’S  
RIGHT FOR THE PLANET BUT DON’T ALWAYS  
KNOW WHAT THE RIGHT THING IS.”





## A CHANGE OF CLOTHES FOR FASHION 2.0

For Baukjen De Swaan Arons and her husband Geoff van Sonsbeeck, the fashion sector desperately needed change. The rise of fast fashion, with its over-supply and over-demand, has made it one of the most polluting industries in the world. But how do you go about turning the whole strategy for fashion on its head? How do you create a brand that could have a positive impact on the environment?

You start by slowing things down.

In 2003, Coutts clients Baukjen and Geoff founded maternity wear brand Isabella Oliver with the idea of slow fashion at its heart. The guiding principles were that it has to be quality, it has to last a lifetime and it has to be sustainable. It is this concept of clothes being ‘designed for good’ that has remained at the core of House of Baukjen, the collective of Isabella Oliver and Baukjen, the womenswear brand they subsequently launched in 2012.

“What is the blueprint for fashion 2.0? In our view how you design garments is key, working with renewable and recycled fibres, but also crucially how you take care of a garment and the need to embrace the sharing economy, not just with new or second hand pieces but also via rental and subscription. Having a circular 360 approach is critical.” says Geoff.

This means knowing your supply chain. For an increasing percentage of fibres it uses, Baukjen knows exactly where they originated: from the forest or farm, to the mills and dye houses, to the company’s factories. This is an immense challenge in a sector where there is an extensive veil over the supply chain. Lifting that veil has given Baukjen the visibility to see



the exact provenance of their garments and make sure that their supply chain is as sustainable and ethical as it can be.

House of Baukjen has shared this transparency across its operations with their customers, so they better understand where their products come from and the impact each one has. To that end, the company has created a Sustainability Index, giving environmental and social impact scores for every product in its

collections. They are also an active member of Fashion Pact, a global coalition of companies in the fashion and textile industry committed to improving the sector’s environmental impact.

“I’ve seen a real shift in the past year where women are increasingly conscious about the planet and the people involved in making the clothes. We have undertaken many steps to keep our journey transparent for our customers, so they learn while we’re learning,” says Baukjen.

A material change in the business three years ago gave Baukjen and Geoff the ability to take the business on the path they wanted and their work has not gone unrecognised: House of Baukjen will be presented with a United Nations Global Climate Action Award at COP26 this year. They have also achieved B Corp accreditation, ranking as the highest fashion B Corp in the UK and a Best for the World business in 2021. As Geoff notes, “you can’t greenwash it, you can’t cheat it, you really have to earn it. But it’s a journey, it’s becoming a better business every single day.”

*“This is not something you can fake. It’s not collecting a badge. Like us, Coutts has made that jump, they started the journey a long while back and will continue that journey long into the future.”*

Geoff van Sonsbeeck





**EXTREME E**

“YOU CANNOT EXCLUDE ANYONE FROM CLIMATE ACTION. WHY SHOULD ANYONE THINK THAT THEY SHOULDN'T BE INVOLVED IN CLIMATE CHANGE?”



# RACING AGAINST CLIMATE CHANGE

Motorsport is not typically the first thing that comes to mind when we think of technologies at the forefront of the fight against climate change. But for long-term Coutts client Alejandro Agag it was the perfect way to showcase how we can find sustainable solutions to our biggest problems.

Having created Formula E in 2011 with the goal of changing perceptions around electric cars and pushing the technology forward, Alejandro wanted to take it a step further. “We said to ourselves, ‘Why don’t we try something that goes beyond this, why don’t we try to bring electric cars to the most remote corners of the planet to show what’s going on there?’ That was the origin of Extreme E, to bring electric cars to those remote corners of the planet to raise awareness.”

Founded in 2018, Extreme E is an FIA-sanctioned international off-road racing series that uses cutting-edge electric SUVs to race in some of the most isolated parts of the world. Each racing location has been chosen to raise awareness of the different aspects of climate change. To that end, the series travels from the Arabian deserts to the Atlantic coast of Senegal to the glaciers of Greenland. The first season began with the Desert X-Prix in Saudi Arabia in April 2021.

At each location, Extreme E aims to highlight the impact of climate change and encourage positive action. It has created a Legacy Programme that establishes lasting improvements for every environment where a race takes place. This means more than ensuring there is no trace after the event but actively working on ways to provide social and ecological support long after the race cars have left.

Equally important is educating and inspiring the audience at home. As Alejandro points out, you can’t exactly take 100,000 people to each race, so you have to get the message across through broadcast. “If you look at our programming, you have 20 minutes of racing

and then 5 minutes for a message about what’s going on with the climate situation in that location. Then we go back to the racing, and then again the message. So you are embedding it in the sport. A lot more people watch sports than environmental documentaries. We almost create an environmental documentary within the sport”.

This enables Extreme E to bridge the knowledge gap between scientists and environmentalists and the general public, giving the former a stage to explain the impact of climate change in a relatable way.

In responding to those who question the logistical impact, Alejandro points out that Extreme E is committed to having a net-zero carbon footprint by the end of its first season and follows multiple sustainable strategies such as recycling all waste in the race and using solar energy to power the hydrogen fuels cells.



But more than this, Alejandro believes it is far more important to take action rather than live in fear of criticism. “I’m an enemy of inaction. I’m a fan of action. We have to move things forward; we have to do things. Companies often say ‘Oh, if I do this, people are going to say that I’m only doing it to look good’. Why do you care? Just do it. That’s my message.”

The ecology of partnerships has also been crucial to forging the message behind Extreme E says Alejandro.

*“Partners multiply our effect. It’s key because they help us survive financially but also, if you imagine a private bank like Coutts – they’re able to bring clients to the seriousness of the issues and to help them create change. The multiplying effect of that is massive. We’re all moving in the same direction.”*

Alejandro Agag





# HELPING OUR CLIENTS MAKE A SUSTAINABLE DIFFERENCE BEYOND BUSINESS

Philanthropy is ingrained in Coutts' culture. We can trace our history of charitable giving back over 300 years, and were the first private bank in the UK to establish a dedicated philanthropy advisory team.

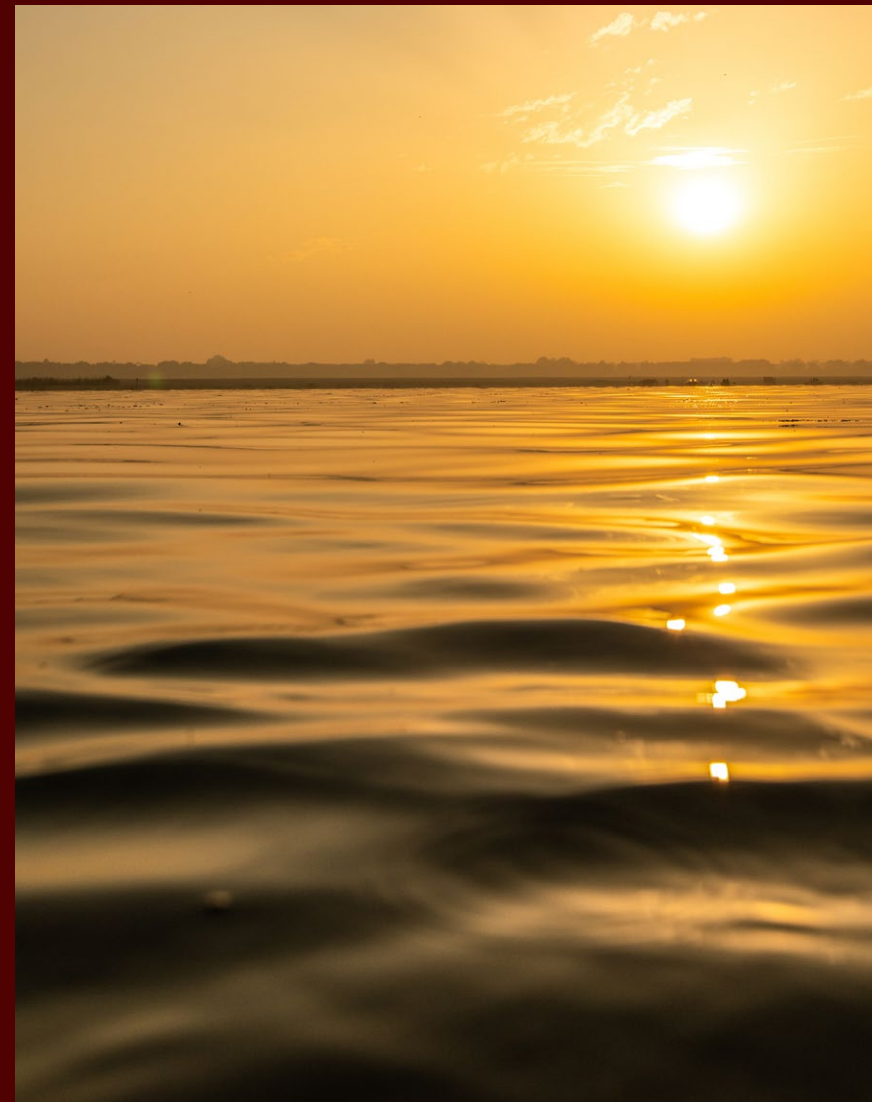
The impact of the global pandemic over the past 18 months has made many of us consider how we can do more to make a difference. Our specialists can help clients turn their passion for the causes they care about into tangible, lasting change.

This starts by developing a philanthropy strategy unique to their needs. Philanthropy strategies are often underpinned by a theory of change and this approach can be helpful as a structure for our clients' giving. They can begin by asking themselves:

- Which causes, issues and communities are important to me?
- Do I want to focus locally, nationally, or internationally?
- What change am I hoping to achieve through my philanthropy and how do I measure that?

Once these answers are defined, Coutts can guide clients on the best way to structure their giving. Many philanthropists choose to support existing organisations, either by funding established projects or helping to experiment with new approaches. But some choose to put their effort and resources into setting up their own organisation or social enterprise. We help them choose what is right for them and their goals.

Meeting like-minded philanthropists or established funders can also be a great source of information and inspiration. Clients learn as much from each other as



they do from us, and we can connect them to other theme-specific networks for philanthropists where they can find support.

## IMPACTFUL CLIMATE PHILANTHROPY

Combatting climate change is an increasingly important mission among clients, but understandably many can feel the task is too big for them to make a philanthropic difference. According to the Environmental Funders Network (EFN), donations supporting the environment are estimated to

represent less than four per cent of total foundation giving in the UK and less than five per cent of public donations.

We work with the EFN to help clients support a range of environmental issues. Bringing together over 150 foundations, family offices and individual donors, the network's aim is to increase the amount of financial support for environmental causes and to improve its overall effectiveness.

*“Climate change is not just an environmental issue. It profoundly threatens many other causes that philanthropists care about – such as health and wellbeing, wildlife, ecosystems, poverty and community cohesion.”*

Rachel Harrington, Coutts Institute





**ONCE A YEAR**



“WE REALLY BELIEVE THAT IF PEOPLE START FALLING IN LOVE WITH THE ENVIRONMENT, THEY WILL MAKE A DIFFERENCE.”





# CREATING A LEGACY OF OCEAN CONSERVATION

Let's start with two numbers – 71 and 29. That is the ratio between water and land in the world. And yet, when we think of pollution, we typically talk about its impact on land and can forget its pernicious effect on the waters around us.

For Paola Rigamonti and Domenico Iuliano, water pollution was not something they could ignore. Having grown up by the seaside in Italy, they witnessed first-hand the continuous deterioration of the coast due to climate change and pollution. Their passion for protecting the sea and its surroundings inspired them to create a foundation dedicated to conserving the world's oceans.

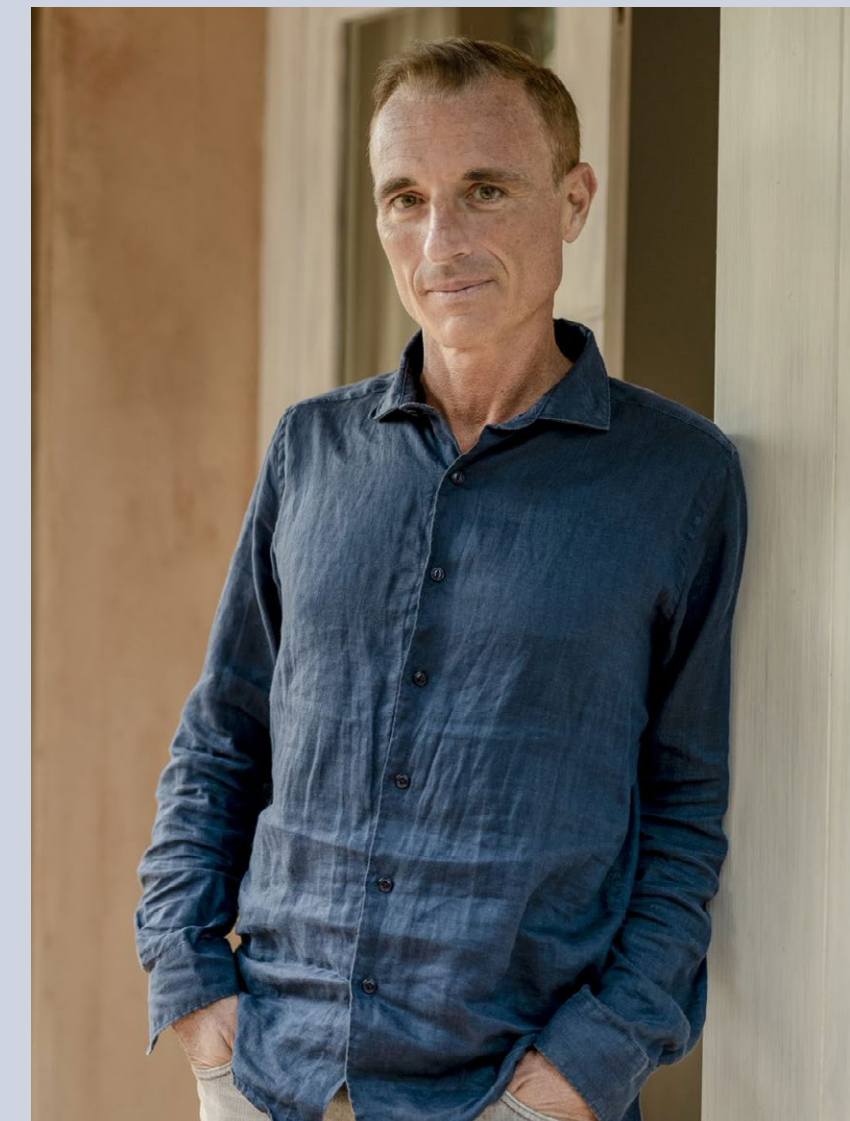
But where to start? Ocean conservation is as vast and as complex as its subject. Such is the scale that individuals have the tendency to feel overwhelmed, which is why Paola and Domenico started by thinking about how supporting local communities could make a big difference.

“Our idea is act locally and think globally. We want to make sure that we engage with people at a local level because the purpose of our projects is to share the passion with people. Funding a project for the sake of funding it is not enough. We want to leave a legacy, to empower people to make a lasting difference,” says Domenico.

To achieve this, they created Once A Year, a charity that supports one local maritime conservation project each year, helping support them at every stage of their development throughout the year. The foundation then remains connected to the initiative after that time, with the long-term aim of creating a global network of local communities who can support and inspire each other to make change.

In 2021, Once A Year is sponsoring I AM WATER Ocean Conservation, a South African charity

committed to marine conservation through transformational ocean experiences. I AM WATER works with low-income young people who, despite living within walking distance of the shoreline, have never seen the underwater world. The charity's mission is to foster physical and emotional



connections with marine environments. To do so, they teach the children to swim and understand the ocean and the importance of marine life. “By doing this systematically every year they manage to catch many generations, so within their community, taking care of the sea becomes a normal way of thinking,” says Paola. “It's a cultural change that can make a long-

lasting difference. We really believe that if people start falling in love with the environment, they will make a difference.”

While they continue to support I AM WATER, Once A Year is also looking at potential projects for next year. For Paola and Domenico, their own experience in setting up Once A Year is helping them assess these initiatives and make sure they are funding the right idea with the right people. When they decided to create the foundation, they worked closely with the Coutts philanthropy advisory team to understand what they needed to take into consideration when setting up the charity. Coutts also put them in touch with fundraising organisations to advise them on the administrative tasks, on the due diligence and on the fundraising.

It was a big learning experience for both Paola and Domenico but a hugely positive one and something they would encourage other Coutts clients to follow.

*“My first piece of advice to people who want to start their own charitable idea is: do it. Be brave and do it. No matter what it is, no matter how small the idea, do it. You will be positively surprised by people's willingness to help, even if you think, ‘I don't know, it's just a small thing’”*

Domenico Iuliano





# OUR LENDING & INVESTMENTS

Responsible lending and investing are at the core of our business. Over the past year we have continued to advance our sustainability strategy to introduce more products and services that help our clients have a positive impact.





# RESPONSIBLE LENDING

We are striving to make our personal and commercial lending more sustainable for our clients.

To achieve this, we are introducing products that support both our clients and their companies in their efforts to reduce their carbon footprints and transition to sustainable business models.

## GREENER HOMES

According to the [Office of National Statistics](#), in 2019 15% of the greenhouse gases emitted in the UK came from residential properties. Our ambition is that 50% of our mortgage book is secured against homes with an Energy Performance Certificate (EPC) rated C or above by the end of 2030.

It is estimated that currently 12 million UK homes, 62% of total dwellings, fall below a C rating. The government's [Clean Growth Strategy](#) has set the ambitious objective of upgrading as many UK homes as possible to EPC C or above by 2035 (residential) and 2030 (buy-to-let).

Coutts is offering Green Mortgages to both new and existing clients to incentivise them to improve the energy efficiency of their homes. [The World Green Building Council](#) defines a green mortgage as a mortgage specifically targeted at green buildings as an incentive for the borrower to either buy a green building or to renovate an existing one to make it greener.

Coutts' Green Mortgage product offers customers a discounted arrangement fee for purchasing a more energy efficient home (EPC grade A & B) or making improvements to their home to make it more energy efficient (EPC Grade C and above).

We also support the Green Home Retrofit Finance Principles, which ensure loans are given only to energy-efficiency work that meets industry-accepted standards in UK homes.

We continue to explore various ways to engage with our clients on how they can improve the energy efficiency of their homes, including how Coutts can help them to overcome both financial and non-financial barriers.



Your home or property may be repossessed if you do not keep up repayments on your mortgage. Coutts Green Mortgages are for new home purchases with EPC Grades A - B; and for clients renovating their homes within 12 months of completion to EPC Grade C and higher. Over 18s only. Subject to status and approval. Product fees may apply.

## GREENER TRANSPORT

Coutts have also launched an innovative e-mobility offering with Octopus Energy for both commercial and private clients. Through this initiative Octopus offers tailored advice, charging infrastructure funding solutions and access to some of the latest renewable technologies in a single solution to help clients and their businesses move to electric vehicles.

Through a bespoke consultation, Octopus can assess homes and workplaces and advise on and help install the right EV charge points to enable both private and commercial clients to achieve their electric and climate goals.

Coutts receives a fee from Octopus Energy for customers it introduces to them that subsequently purchase products or services from Octopus Energy. Coutts provides no representation, warranty or guarantee as to the quality or fitness for purpose of any of Octopus Energy's products or services. Coutts shall not be responsible for, nor do or shall they accept any liability for, the products or services provided by Octopus Energy to you, including any advice, product or process by which Octopus Energy's products or services are sold or provided by or on behalf of them to you. Offer applies to all customers within United Kingdom, regional exclusions apply. Offer unavailable on UK Channel Islands.



# WHAT IT MEANS TO BE A RESPONSIBLE INVESTOR

The responsibility of being a sustainable investor is embedded into every single aspect of how we handle our client portfolios and funds. We don't offer one standalone sustainability product or run specific ESG portfolios because all our discretionary portfolios and funds have ESG considerations at their core.

Across everything we do our focus is on delivering real world outcomes. We want to make our portfolios green, but more importantly we want to make the world green. As such, we continue to focus on engagement and working with the industry to not just improve our investments but to improve the world.

To that end, we have signed up to the UN-backed Principles of Responsible Investment (PRI). As the world's leading assessment body in this space, the UN's PRI reviews us annually, scoring Coutts an A+ for strategy and governance in 2020. This highest possible grading puts us ahead of the wider industry when it comes to responsible investing.

Furthermore, over the next few months, we are aspiring to change our passive funds in three key ways:

1. We are enhancing the exclusions policy of these funds to align more closely with Coutts' values and those of our clients.
2. The funds will follow a net zero trajectory, aligned with the Net Zero Asset Managers' initiative, decarbonising steadily over time.
3. We will be using unique ESG insights (based on BlackRock's ESG methodology) to minimise risk and identify opportunities, aiming to deliver positive ESG and return outcomes.

## MAKING A DIFFERENCE THROUGH BEING AN ACTIVE SHAREHOLDER

As Sir David Attenborough said, our clients have the ability to drive change, whether this is through paving the way for the use of renewables, creating sustainable fashion or safeguarding our ocean biodiversity. Meanwhile, we have a responsibility to tackle these issues through the investments we manage on behalf of our clients, and this is something we take seriously. We believe in creating positive change in the real world, not just in our portfolios, and one of the most important tools we have to do this is our own voice.

Through our engagement provider, EOS at Federated Hermes, we engage with the companies we invest in about the issues our clients care about. For example, we work with companies to tackle issues such as plastic pollution, overfishing and climate change to safeguard our oceans. We also engage with fast fashion companies on transitioning to a circular economy, reducing fashion waste and addressing modern slavery, and we work with energy companies to ensure they are drivers of the transition to a net zero economy. The aim of our engagement work is to strengthen the resilience of the companies we invest in, while complementing the work our clients are doing, as highlighted in this report.

In the first half of 2021, we:

- voted at 955 meetings (14,475 resolutions)
- opposed one or more resolutions at 699 meetings, showing how we're willing to go against management when we feel it's necessary
- engaged with 346 companies held in our client portfolios and funds on 986 environmental, social and governance issues

Among our calls for change was:

- a demand for greater openness on efforts to achieve more diversity at American Express, United Parcel Service and Caterpillar
- replacing board members with people who have more experience in dealing with climate-related issues at Exxon Mobil
- ensuring Chevron and General Electric reduce their carbon emissions and set 'Net Zero' targets

Coutts is also one of the signatories to the Financial Reporting Council's (FRC) UK Stewardship Code 2021. The code is a set of strict stewardship standards for those investing money on behalf of UK savers and pensioners. Successful applicants must demonstrate their commitment to the responsible allocation, management, and oversight of capital, with the goal of creating sustainable benefits for the economy, environment, and society.

*“2021 is really the first year we're seeing shareholder resolutions on environmental, social and governance issues passing more regularly. Investors are increasingly recognising the role they can play in changing companies' behaviour and are using their voices more frequently than ever before – and it's getting results.”*

Leslie Gent, Head of Responsible Investing at Coutts







# BECOMING A NET ZERO INVESTOR

According to [NASA's global climate change assessment](#), a rise of just 2°C in the Earth's temperature from carbon emission will threaten 70% of the world's coastlines. As part of our ambition to reach net zero emissions across our investments by the end of 2050, Coutts is reducing the carbon intensity in the equity parts of our discretionary portfolios and funds by 25% by the end of 2021 (compared to 31 December 2019). By the end of 2030, we have set a target to reduce portfolio carbon intensity by 50% across all discretionary assets managed by Coutts.

As part of that process, across our Coutts funds managed for us by Blackrock and our direct equities and bonds, we already don't invest in any company that:

- derives more than 5% of its revenue from thermal coal extraction, mining, and exploration;
- derives more than 25% of its revenue from thermal coal generation, including utilities that own or operate coal-fired power plants;
- derives more than 5% of its revenue from involvement in tar sands – a mixture of clay, sand, water, and bitumen that are mined and refined into oil; and
- derives more than 5% of its revenue from Arctic oil and gas exploration.

We are also a member of the [Net Zero Asset Managers Initiative](#), a global alliance of 128 asset managers collaborating to achieve net zero emissions by 2050 or sooner. Those asset managers now represent an estimated \$43 trillion of assets under management, close to 50% of the global total.

Similarly, we are part of the Institutional Investors Group on Climate Change (IIGCC), a leading global investor membership body and the largest one focusing specifically on climate change. As part of the IIGCC, Coutts is actively working with other investors to tackle climate change, taking part in working groups, events and consultations that encourage the whole asset management industry to drive real progress by 2030.

Coutts was also among the first investment houses to buy into the UK government's debut green gilts issuance. These are a form of government debt where the proceeds are earmarked solely to be invested in environmentally beneficial projects such as zero-emission buses, energy-efficient housing schemes, offshore wind projects and biodiversity improvements.

*“This is not about talking, it's about doing. We are taking tangible action and tough decisions when it comes to responsible investing because anything less just isn't good enough.”*

Mohammad Syed, Head of Asset Management at Coutts





A person is seen from behind, wearing a red tank top and a yellow beanie. They have their hands on their head, looking out over a landscape with a lake, mountains, and a blue sky with clouds. The text "INVESTMENT PERFORMANCE" is overlaid in the center.

# INVESTMENT PERFORMANCE



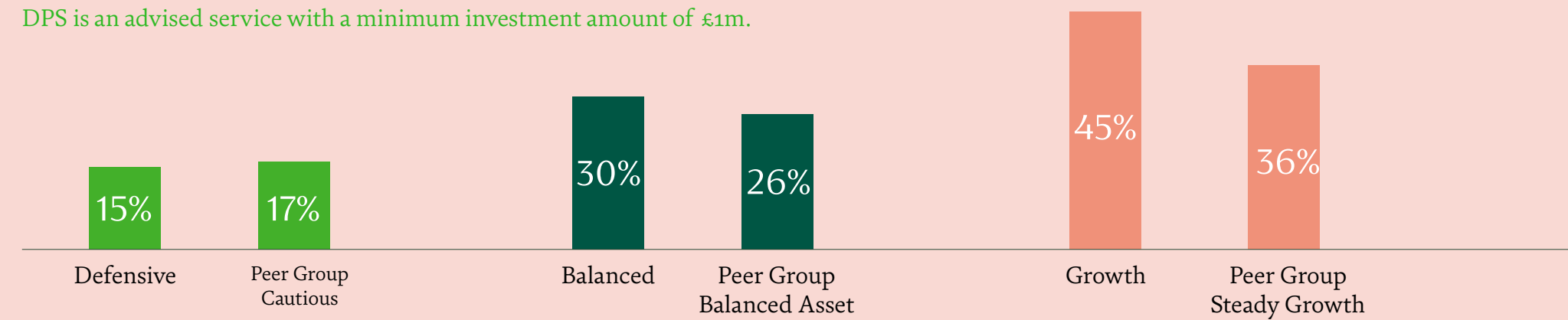
Markets rose steadily for the first eight months of 2021 as the world opened up post pandemic, but slipped in September due to inflation concerns and supply shortages. Our preference for stocks over bonds has benefitted performance in a year of rising share prices. And our active management of clients' investments, backed by the latest data and analysis, has helped mitigate downturns and maximise opportunities. For example, we sold our Chinese equity fund to avoid the worst of subsequent stock market falls in China, and bought back into healthcare, which is attractively valued but overlooked in our view. As of 30 September 2021, Balanced portfolios were outperforming their benchmarks over the year so far and were in line with peers, while Growth portfolios were ahead of benchmark and the competition. Defensive mandates were broadly flat.

Past performance should not be taken as a guide to future performance. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment.

## DISCRETIONARY PORTFOLIO SERVICE (DPS) - FIVE-YEAR PERFORMANCE

Our portfolio service aims to deliver attractive long-term returns through investing in a broad range of assets including bonds, active and passive funds, direct equities, and alternative assets.

DPS is an advised service with a minimum investment amount of £1m.

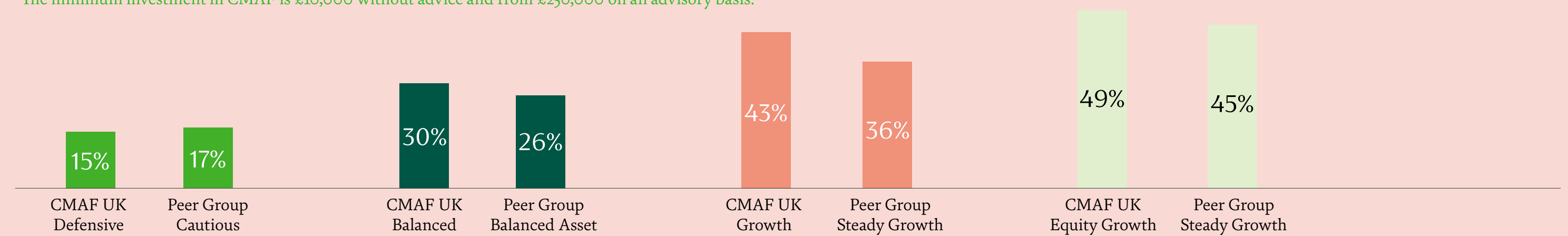


Cumulative returns over five years to end of September 2021, calculated on a sterling basis, including fees and income. Performance figures are composite returns from the actual portfolios of all clients. For the composite performance calculation, individual portfolio monthly returns are asset-weighted based on their respective asset values at the beginning of the month. ARC peer group data represents consolidated performance of similar investment strategies sourced from over 50 discretionary private client portfolio managers. This graph shows a very isolated period of past performance. Source: Asset Risk Consultants, Coutts & Co.

## COUTTS MULTI-ASSET FUNDS (CMAF) – FIVE-YEAR PERFORMANCE

A range of unitised funds that invest in the Coutts investment view through a mix of passive and actively managed third-party funds and individual securities.

The minimum investment in CMAF is £10,000 without advice and from £250,000 on an advisory basis.

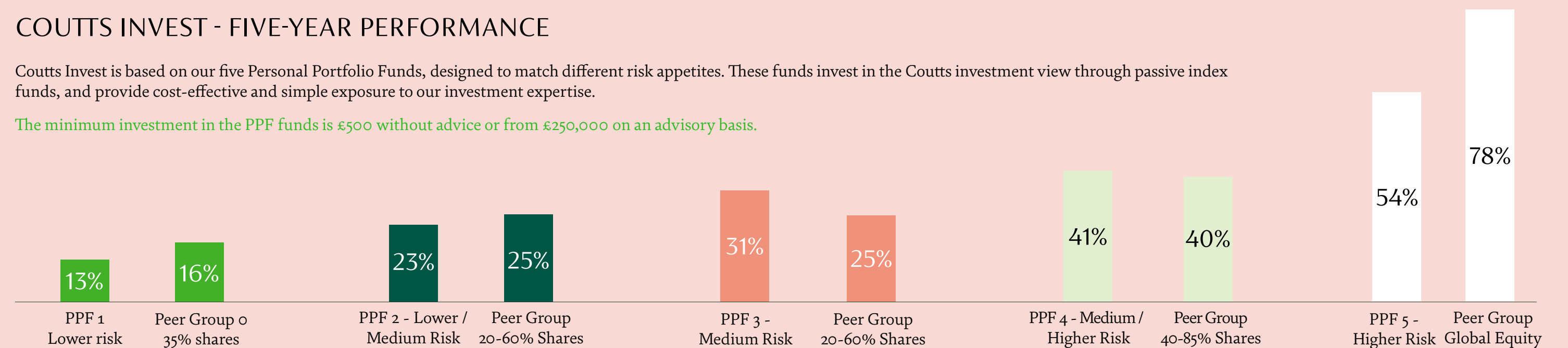


Cumulative returns over five years to end of September 2021, including income. Sterling CMAF compared to relevant ARC peer group. ARC data represents consolidated performance of similar investment strategies sourced from over 50 discretionary private client portfolio managers. This graph shows a very isolated period of past performance. Source: Refinitiv, Asset Risk Consultants, Coutts & Co, October 2021

## COUTTS INVEST - FIVE-YEAR PERFORMANCE

Coutts Invest is based on our five Personal Portfolio Funds, designed to match different risk appetites. These funds invest in the Coutts investment view through passive index funds, and provide cost-effective and simple exposure to our investment expertise.

The minimum investment in the PPF funds is £500 without advice or from £250,000 on an advisory basis.



Cumulative returns from 31 September 2016 to 31 September 2021 calculated on sterling basis, including income compared to relevant Investment Association peer group sector. This graph shows a very isolated period of past performance. Source: Refinitiv, Morningstar, Coutts & Co, October 2021



## **IMPORTANT INFORMATION**

This document has been prepared by Coutts & Co for information and reference purposes only and it is intended as a summary of certain aspects as to how Coutts – as part of NatWest Group - is addressing climate change related matters. It is intended to provide non-exhaustive, indicative and general information only and die not purport to be comprehensive, or provide any legal, tax, investment, accounting, financial, ESG or other advice, nor is it intended as a personal recommendation.

## **CAUTION ABOUT THE INFORMATION IN THIS DOCUMENT**

To the extent permitted by law, Coutts & Co makes no representation, warranty or assurance of any kind, express or implied, or takes no responsibility or liability as to the fairness, accuracy, reliability, reasonableness, correctness or completeness of any of the opinions or conclusions expressed in this document.

## **LIMITATION OF LIABILITY**

To the extent permitted by law and regulation neither Coutts & Co nor any connected company accepts responsibility for any direct or indirect or consequential loss, damage, liability or expense incurred or suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon this document even if Coutts & Co has been advised of the possibility of such damages.

## **CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS**

This document contains certain climate-related and other forward-looking statements and metrics, such as targets, estimated climate projections and forecasts. Words or phrases such as ‘anticipate’, ‘effort’, ‘estimate’, ‘believe’, ‘budget’, ‘continue’, ‘could’, ‘expect’, ‘forecast’, ‘goal’, ‘guidance’, ‘intend’, ‘may’, ‘objective’, ‘outlook’, ‘plan’, ‘potential’, ‘predict’, ‘projection’, ‘seek’, ‘should’, ‘target’, ‘will’, ‘would’ or similar expressions that convey the prospective nature of events or outcomes generally indicate forward-looking statements.

The many significant uncertainties, assumptions, judgements, opinions, estimates, forecast, statements made of future expectations and certain non-historical data underlying forward-looking climate-related metrics (such as carbon and other emissions metrics) and metrics to assess climate-related risk and opportunity outside of carbon exposure may limit the extent to which these climate-related metrics are used to better understand risk and evaluate progress towards established strategies, targets, objectives, commitments and could cause actual results, performance or events to differ materially from those expressed or implied in such statements. The most important of these uncertainties and factors, including, without limitations, are lack of reliable emissions and other important data, quality of historical (emission) data; lack of common definitions and standards for climate-related data; lack of transparency and comparability of climate-related forward-looking methodologies, variations in approaches and outcomes, reliance on assumptions and future uncertainty and uncertainty around future climate-related policy.

Accordingly, in compiling the document it has been necessary to make a number of judgments and assumptions which may need to be revised and this could affect achievement of any targets or forecasts. For example, achieving target carbon intensity levels for AUMs will depend on there being sufficient attractive investment opportunities that achieve sufficient reductions in their own carbon intensities.

Any forward-looking statements made by or on behalf of Coutts & Co speak only as of the date they are made, and Coutts & Co assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information or for any other reason.

## **FINANCIAL PROMOTION**

Section 13 of this document comprises a Financial Promotion in respect of certain investment products and services offered by Coutts & Co.

Coutts Multi Asset Funds and Personal Portfolio Funds are sub-funds of Equator ICAV, a collective asset-management vehicle being a body corporate, established pursuant to the Irish Collective Asset-

management Vehicle Act 2015 and authorised by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 as amended, supplemented and consolidated from time to time. Before investing, you should review Equator ICAV’s prospectus, the supplement to the prospectus relating to the fund and the key investor information document. Copies of these are available by clients of Coutts & Co from their Wealth Managers or online at [www.coutts.com/cmef](http://www.coutts.com/cmef).

Not all products and services offered by Coutts & Co are available in all jurisdictions and some products and services may be made available, performed through, or with the support of, different members of NatWest Group, of which Coutts & Co is a member.

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