QUILTER CHEVIOT

RESPONSIBLE INVESTMENT

Responsible investment policy

Our approach to incorporating ESG factors and active ownership into the investment process

Approver: Quilter Cheviot Limited, 2 May 2024

QUILTER CHEVIOT

Contents

We review this policy annually.
This policy was updated in April 2024.

Introduction

This policy outlines Quilter Cheviot's responsible investment approach, detailing our ESG integration and stewardship processes in line with our commitments made to the UN-supported Principles for Responsible Investment (PRI), the UK Stewardship Code and Shareholder Rights Directive II (SRD II).

At Quilter Cheviot, we have a duty to make sure that we are considering environmental, social and governance issues throughout our investment process and through our engagement with the companies and funds we invest in on behalf of our clients.

We believe that being a responsible investor is an important element in working towards a sustainable future for the next generation. As a business that tailors its services to the specific needs of our clients, we strive to meet their responsible investment objectives.

Andrew McGlone
Chief Executive

Our responsible investment principles and purpose

Responsible heritage – why invest responsibly?

With a heritage dating back to 1771, we understand the importance of taking a long-term view and investing for future generations. As a responsible investor, Quilter Cheviot is committed to its role as a steward of clients' assets to protect and enhance long-term returns. This encompasses our engagement with investee companies, through proxy voting and face-to-face dialogue, as well as considering environmental, social and governance (ESG) factors which could impact shareholder returns.

We believe incorporating ESG considerations into our investment analysis and stewardships is important for the following reasons:

- **A more holistic approach:** Integrating ESG information into the investment process can help mitigate risks and identify opportunities.
- **The double bottom line:** In addition to potentially enhancing long-term returns, we believe taking these factors into account will benefit other stakeholders, creating environmental and societal value, not just economic gains.
- **Policy drivers:** There are multiple regulatory developments progressing the case for implementing responsible investment and requiring immediate action. These include the EU's Action Plan on Sustainable Financing, the Taskforce on Climate-related Financial Disclosures (TCFD) and the 2020 UK Stewardship Code.
- **Supporting client demand:** Public awareness of ESG issues and client demand for responsible investment solutions are growing. We implement a firm-level responsible investment process that covers all discretionary holdings but can take a more targeted approach for clients that want their portfolios to reflect their specific interests or preferences.

In order to help our clients articulate their responsible investment requirements we have identified three categories which reflect responsible investment preferences. Selecting one of the categories will result in different investment solutions. This information is collected at the client take on stage or through the regular suitability cycle (unless the client wishes to discuss this sooner).

Environmental, social and governance drivers are integrated into management remuneration in the following ways:

- For senior executives, this forms part of the long-term incentive plan (LTIP), as 10% of the scorecard is based on ESG measures. 7.5% is weighted on responsible investing, based on the UN-backed Principles for Responsible Investment (PRI) Framework, the world's leading independent benchmark for responsible investing. The remaining 2.5% of the award will be based on reducing the carbon intensity of Quilter's own operations.
- The Company's short-term incentive plans include explicit customer outcome measures. In addition, our incentive schemes and outcomes are underpinned by the Company's corporate values, with common goals set for managers and employees to support an inclusive and diverse culture. As part of broader responsible leadership criteria, scheme outcomes also reflect progress in increasing diverse representation in senior and front-office roles, as well as cultural measures such as colleague engagement.

Our beliefs

- Responsible investment is an umbrella term for different investment approaches. Our role is to enable clients to pick the right approach for them, within the appropriate risk profile.
- There is no such thing as an environmental, social and governance (ESG) fund or an ESG company. All will take different approaches and therefore cannot be directly compared.
- As a responsible investor, the main pillars of our approach are:
  - to analyse ESG data to better inform investment decisions, and
  - to proactively engage with the companies and funds we hold on behalf of our clients (active ownership).
- In our role as a steward of our clients' assets, we protect and enhance long-term returns through responsible investment.

There are two approaches to being a responsible investor:

1. Risk mitigation and identifying opportunities: the integration of ESG factors and stewardship within the investment process;
2. Specific RI related objectives: this builds on the first element and relates to linking products or strategies to specific RI related outcomes or objectives.

Definitions

ESG factors

ESG factors are the starting point for understanding how the responsible investment process works in practice. ESG issues are data points that can be used as an additional input into the investment analysis process. This information is often qualitative and is not the kind of information that can be discerned from traditional financial statements or earnings forecasts.

We recognise that in some circumstances ESG issues may impact a company's ability to pursue its business strategy and affect its financial performance. Therefore, we expect investee companies to identify and manage ESG risks and opportunities to the extent they affect their business strategy. ESG issues may be broad and varied, but examples might include:

Environmental

The impact on the natural world

- Climate change
- Biodiversity loss
- Resource scarcity
- Waste and pollution

Social

The wellbeing and rights of people and communities

- Human rights
- Modern slavery
- Working conditions
- Employee relations

Governance

The standards for running a company

- Bribery & corruption
- Executive pay (remuneration)
- Board diversity & structure
- Political lobbying & donations

These are examples of a range of issues that may be useful to look at. Materiality is critical and it is important to focus on issues that are material to the relevant industry group or sub-industry group being analysed.

A growing number of companies manage ESG issues as part of their business-as-usual model to mitigate risk and maximise opportunity. Embracing ESG strategies may have direct and indirect positive impacts on the financial performance of a company.

- **Direct impacts** may be seen from the efficient use of material and energy resources, productivity improvements and process changes which can lead to reduced costs.
- **Indirect gains** are more difficult to measure but are important nonetheless. These may include brand and reputational benefits of community engagement, which may in turn attract potential clients and employees, and encourage increased employee and client loyalty.

Integrating ESG considerations into our investment process helps us identify and understand potential risks and opportunities, and ultimately protect, and possibly enhance, long-term investment outcomes for our clients. When we meet company management and boards, we discuss a number of issues, and as appropriate, those relating to ESG issues.

Our thematic priorities

Our thematic priorities are shown below. There are key megatrends that we believe are material to longer-term sustainable investment returns for our clients and have the potential to have a significant impact on other stakeholders and the planet as a whole. As such, these are increasingly considered as part of the ESG integration and stewardship work undertaken by Quilter Cheviot.

Climate change – climate change is the defining issue of our time and we are at a defining moment. From shifting weather patterns that threaten food production, to rising sea levels that increase the risk of catastrophic flooding, the impacts of climate change are global in scope and unprecedented in scale. Without drastic action today, adapting to these impacts in the future will be more difficult and costly. (Source: United Nations).

Through our stewardship process we commit to engage companies and funds to understand their decarbonisation plans with the aim to encourage alignment with net zero pathways and disclosure against globally recognised standards (such as the Science Based Targets Initiative).

UN Sustainable Development Goal (UN SDG) alignment

Human rights – human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination. (Source: United Nations).

Through our stewardship process we commit to engage companies and funds to better understand or improve performance on issues such as decent work and pay, human rights in the supply chain, and health and safety as well as inclusion and diversity.

UN SDG alignment

Natural capital – natural capital can be defined as the stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils and minerals) that combine to yield a flow of benefits and ecosystem services to society. (Task Force on Nature-related Financial Disclosures).

Through our stewardship process we commit to engage companies operating, and funds investing in, high impact sectors to better understand how they are managing and mitigating risks related to deforestation, water usage and biodiversity.

We commit to engage to improve company and fund performance where they are not meeting the standards expected by us.

UN SDG alignment

Responsible investment

Across Quilter, we have adopted the Investment Association's and UN-backed PRI's responsible investment framework. Both organisations define responsible investment as:

> *'A strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.'*

Stewardship	ESG integration	Exclusions	Sustainability focus	Impact investing
The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. (Financial Reporting Council)	The systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions. (UN Principles for Responsible Investment)	Excluding entire sectors, activities, companies or countries from a fund or portfolio based on ESG criteria, moral or ethical views, or religious beliefs.	Investment approaches that select and include investments on the basis of their fulfilling certain sustainability criteria and/or delivering on specific and measurable sustainability outcome(s). Investments are chosen on the basis of their economic activity (what they produce/ what services they deliver) and on their business conduct (how they deliver their products and services). (Investment Association)	Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. (Global Impact Investing Network)
What does this mean? • Ongoing engagement with the companies and funds we invest in to discuss their handling and disclosure of ESG related issues • Engagement may be undertaken individually or in collaboration with other investors • Using voting rights where applicable to further our engagement	**What does this mean?** • It is not about excluding certain activities but it is understanding the ESG related challenges and opportunities • It is about risk mitigation • The approach depending on the asset class	**What does this mean?** • Across Quilter we have a firm-wide restriction on investing in controversial weapons directly or indirectly through actively managed funds • Some of the strategies or products we offer have specific exclusions as part of the investment mandate • Within our DPS offering clients are able to set their own exclusions	**What does this mean?** • Different strategies will set different sustainability outcomes • For many strategies this will be linked to supporting the UN Sustainable Development Goals	**What does this mean?** • Investing in different asset classes to intentionally achieve positive social and environmental outcomes • Lower financial returns may be accepted to achieve social/environmental returns

Based on the Investment Association's Responsible Investment Framework November 2019

The graphic below summarises the three main approaches to responsible investment that we undertake across discretionary portfolios managed at Quilter Cheviot. Stewardship and ESG integration apply only to holdings which are within the monitored research universe, or in the case of stewardship where we hold more than £2million or 0.2% of market cap within the UK.

Stewardship	ESG integration	ESG screening
Active ownership agenda	Focus on core list of equities, funds and fixed income holdings	At a firm level we exclude direct investment in controversial weapons and have undertaken an attestation process for our third-party actively managed funds
UK STEWARDSHIP CODE	Part of the investment process - research analysts working alongside RI team	Clients within our Discretionary Portfolio Service may set their own screens for direct holdings
Signatory of: PRI Principles for Responsible Investment; IIGCC The Institutional Investors Group on Climate Change; 30% Club Growth Through Diversity; CDP Investor Signatory; Nature Action 100; UKSIF UK Sustainable Investment and Finance Association; A proud participant of Climate Action 100+; The Investor Forum	Multiple data providers including ISS, MCSI, Sustainalytics, Ethical Screening, CDP and other NGO data providers	

Advance is an initiative that is endorsed by Quilter. Stewardship involves engaging with companies and funds to discuss ESG issues to improve their handling and disclosure of such issues. This may be carried out individually or in collaboration with other investors. It includes voting, either in person or by proxy, which involves formally expressing approval or disapproval through voting on resolutions. Additionally, we facilitate client-instructed voting, therefore our clients have the ability to exercise their own stewardship.

- It is not about excluding certain activities but it is understanding the ESG related challenges and opportunities
- It is about risk mitigation
- The approach depending on the asset class

ESG factors are a component within the investment process – it is not the overriding consideration.

At Quilter Cheviot this is integrated into the investment process and our research teams are responsible for incorporating this into their ongoing analysis of investments.

At Quilter Cheviot we have a firm-wide restriction on investing directly in cluster munitions and anti-personnel landmines. We also monitor any potential indirect exposure to this on an ongoing basis.

Clients can also express their own preferences through screening on a bespoke basis.

Our resources

The responsible investment team works alongside the research teams and has overall responsibility for the firm's active ownership work and leads on collaborations such as the 30% Club and PRI. We are also a member of various industry working groups such as the TISA Responsible and Sustainable Investment Committee and the PRI Wealth Management Group. The team also leads on strategic and regulatory developments across the business and as part of Quilter's wider responsible investment team.

ESG factors are integrated into our investment process

Equity research team

Identifying ESG challenges and opportunities using qualitative and quantitative assessments

Active engagement with companies on ESG matters

Responsible investment team

Overall responsibility for active ownership (engagement and voting) and industry collaborations

Working alongside the research teams to continually enhance our ESG integration approach

Quantitative ESG data

Strategic and regulatory developments

Fund research team

Proprietary ratings at a fund level based on the approach taken to stewardship and ESG integration

Active engagement with fund managers on ESG matters

We use external data providers and other publicly available data to undertake our active ownership and ESG integration work.

External data provider	Purpose
ISS	**To assist with our active ownership agenda. Also an additional ESG data source** **Voting platform** – we use ISS to inform our decision making. Recommendations are made based on the agreed voting policy. We do not always vote in line with ISS' recommendations. **Governance risk - oriented data** – focused on board structure, compensation, shareholder rights and audit & risk oversight. Informs decision making for governance engagements and is an input into the equity ESG dashboard.
MSCI	**To provide data for ESG integration and for engagement** **Climate solutions –** directly reported and modelled GHG emissions data and corporate climate performance information (including scenario alignment and disclosure against external frameworks) for use in our ESG integration activity as well as Task Force for Climate-related Financial Disclosure (TCFD) reporting. Prior to 2024 we used ISS for climate-related data.

Sustainalytics	**To provide data for ESG integration and for engagement** **Equities** – we use the ESG data as an input into the equity ESG dashboards, as well as the high-level information provided in the company reports, as well as the carbon risk rating. This includes exposure to specific product involvement areas and controversies, as well as sustainable product areas. Companies that breach the UN Global Compact are also highlighted. **Funds** – this feeds into the Style Analytics tool to provide the research team with more granular detail regarding ESG factors and underlying holdings.
Ethical Screening	**To screen on a negative and positive basis in line with the client policy. Also an additional ESG data source** **Screening tool** – employed at a portfolio level and an additional data source for the research teams to identify areas of exclusion as well as positive screening. **SDG alignment** – this is used for the Climate Assets strategy which identifies holdings and their alignment to the UN Sustainable Development Goals.
CDP	**To provide data for ESG integration and for engagement** **Equities** – incorporating metrics from CDP's global disclosure system into the dashboards and providing data for engagements
Other publicly available data	**To provide data for ESG integration** The equity ESG dashboards use data from multiple sources including publicly available data from NGOs and other entities. We also use these data points to inform our engagements.
RepRisk	**To provide data for ESG integration and for engagement** We use this to identify and assess material ESG risks within our holdings.

Monitoring service providers

The market data team operates Quilter-wide to ensure that we have a consistent and effective approach across the businesses.

In October 2021 market data principles were established across Quilter for ESG-related data to ensure consistency and to have a governance framework around the appointment or decision to leave service providers and the ongoing management of their data. The overall aim is to provide consistency and accuracy for our clients.

Our market data team provides ongoing management of the service providers and the team is responsible for:

- monitoring issues and troubleshooting with the business;
- reviewing contracts including pricing; and
- reviewing usage with the business on an ongoing basis to ensure we are correctly contracted.

We continue to assess and evolve the market data we have access to. As part of this, our market data team lead the process for identifying and onboarding new service providers and data modules. The team is responsible for:

- business sign-off for accurate data and coverage;
- reviewing all legal points in conjunction with our legal team; and
- confirming budget and where it is located.

There have been particular challenges which have required significant interaction with the service providers as the business usage has been fluid and changing. The market data team, in conjunction with the underlying users of the data, have had regular discussions with the service providers regarding a number of issues including the accuracy of the data, the data coverage, the challenges of ESG data for non-equity holdings as well as the accessibility of the data through different systems.

Additionally within Quilter Cheviot we maintain an issues log in order to track concerns and ensure that these are raised with the relevant data provider.

ESG integration and equities

This applies to centrally monitored holdings only. Your Investment Manager has the flexibility, within a controlled framework, to tailor your portfolio with regard to asset allocation and security selection, in order to accommodate your investment requirements.

Quilter Cheviot invests directly in equities primarily in the UK, North American, and European markets. As part of our research process, we consider environmental, social and governance (ESG) factors. Responsible investment sits alongside the other three fundamental pillars of our equity selection process: quality, valuation and themes.

Quality
- Management
- Industry Group
- Credit Rating

Valuation
- Industry group-specific metrics
- Duration
- Currency
- Asset-specific metrics
- Gross redemption yield

Themes
- Secular
- Short-term trends
- Return diversifier
- Income generator
- Volatility dampener
- Event risk hedge

Responsible Investment
- ESG integration
- Active ownership

The equity research team has primary responsibility for integrating ESG considerations into the analysis process. However our overall approach to this is multi faceted.

There are three key elements to integrating ESG factors into equity research:

Qualitative analysis identifying challenges and opportunities

We firmly believe that to integrate ESG into our investment decision making it cannot be outsourced to an external provider or even to another internal team. The analyst is responsible for assessing a company on all the relevant metrics including ESG ones. The qualitative process aims to identify the material challenges and opportunities that a company faces from an ESG perspective. These will vary according to the industry group, the geography, and the company itself. We believe this needs to be looked at in a holistic sense as there is no perfect company – all will have challenges from an ESG perspective to different degrees. Some will have more obvious ESG opportunities, depending on the industry group or activity in which they operate. While this may be an attractive proposition, just because a company scores well on an ESG basis is not enough for us to invest.

Part of the analyst's role is to understand the company's current positioning but also where the company's ambitions lie. This is not something you can discern from data alone. There must be engagement with the management and board. The fundamentals of quality, valuations and themes cannot be overridden by a good ESG story.

Quantitative data overlay

Where we invest directly in equities, the responsible investment team has worked with the equity analysts to develop ESG dashboards for our equity holdings. We use the Sustainability Accounting Standards Board (SASB) framework to identify material issues to track on the dashboards. These incorporate data from Sustainalytics and ISS, Ethical Screening along with previous engagements and outcomes (as well as those that are ongoing). Examples of material ESG metrics include statistics on board diversity, pension and remuneration arrangements, data from the Transition Pathway Initiative, company disclosures and other publicly available data that enables us to identify priorities and materiality as well as thematic areas to focus on. This is in conjunction with the ongoing work being undertaken by the equity research team to identify and consider other ESG factors within their investment thesis.

Active ownership through voting and engagement

As a responsible investor, Quilter Cheviot is committed to its role as a steward of clients' assets to protect and enhance long-term returns.

As part of our ongoing engagement with companies, we seek to link executive remuneration with responsible business metrics. This is a nascent area and is not always easy for companies to successfully integrate into remuneration. However, we believe this will become the norm and we view it as a catalyst for change within the corporate world. The focus on behaviours and corporate culture should be linked to pay to pave the way for better outcomes.

How this works

The equity analysts consider the material ESG factors which are most relevant to their industry group, as industry groups have different challenges and concerns. This is a work in progress and will continually evolve. A one-size-fits-all approach does not work for industries which are diverse in nature and face different material issues. Our equity analysts may implement ratings specific to their industry group to progress peer group comparisons as well as hone their thinking. Regular team meetings combined with the investment committee structure in place at Quilter Cheviot mean that equity recommendations are challenged on ESG issues to ensure all material ESG risks have been considered.

Our view is that considering ESG factors is part of the investment case and therefore it should not be separated from this with a company rating. Additionally, there is a strong argument that it is more important to focus on the journey than the rating provided by an external data source. As part of our process, we consider how responsive companies are to engaging with us and how they improve over time. Engagements are often multi-year events, and a simple number will not always reflect the true picture.

The engagement process is not just about change, but also about information gathering which is an important input into our ESG integration framework. We have developed a materiality framework on a industry group-specific basis using multiple data sources, not just ratings from a single ESG data provider.

We do not exclude specific activities through this approach. The only firm-wide exclusion currently in place is controversial weapons which includes anti-personnel landmines and cluster munitions. Specific strategies and funds have their own policy. Additionally, clients can determine their own preferences on a bespoke basis.

ESG integration and fixed income

This applies to centrally monitored holdings only. Your Investment Manager has the flexibility, within a controlled framework, to tailor your portfolio with regard to asset allocation and security selection, in order to accommodate your investment requirements.

A significant part of our bond exposure is through third-party funds, therefore the fund research approach of understanding the underlying manager's ESG process applies. ESG analysis for credit issuers is on a similar basis to equities. The growth of green bond issuance, and newer areas like bonds linked to the UN Sustainable Development Goals, and transition bonds, adds a new dimension which we would expect third-party managers to evaluate appropriately. Sovereign bond analysis can be limited for developed markets but could increasingly incorporate climate risk in the future

While bondholders do not have voting rights in the way that shareholders have, larger fixed income houses can influence the funding structure of issuers. They can also engage on similar matters to equity investors and reconsider their funding if no progress is made.

The direct holdings are predominantly in UK, EU and US government bonds as well as supra-national issuance. Integrating ESG factors into the selection of sovereign debt issued by developed countries is likely to increasingly incorporate issues such as climate risk over time and best approached by seeking to influence government policy where appropriate.

Within our centrally monitored universe, we have very limited exposure to corporate bonds on a direct basis and therefore are unable to influence the funding structure of issuers as larger holders are sometimes can. There are around 60 issuers (as at 30 June 2023) in which we invest, and the primary consideration is whether these issuers are senior and BBB rated[1], and whether the bonds will maintain that BBB rating over the period to maturity. We believe identifying the ESG challenges and opportunities that impact the debt issuer are an important factor in evaluating the likelihood of the bond retaining the BBB rating over its lifetime.

Most debt issuing entities we invest in are companies that are already evaluated by the equity team and therefore the fixed income research benefits from this existing work. The remaining entities are not within the equity research universe and in some cases are not listed. For these holdings, more in-depth analysis is undertaken by the fixed income team. For all the holdings within the centrally monitored corporate bond universe, the analyst has assessed the issuer's ESG credentials, and monitors these on an ongoing basis. The data sources include Sustainalytics and other ESG data providers.

1 Bonds are rated according to their credit worthiness and quality using a letter-based credit scoring scheme.

Integrating environmental, social and governance (ESG) factors into fund selection

This applies to centrally monitored holdings only. Your Investment Manager has the flexibility, within a controlled framework, to tailor your portfolio with regard to asset allocation and security selection, in order to accommodate your investment requirements.

Quilter Cheviot is one of the largest fund buyers in the UK market. We have a specialist fund research capability responsible for monitoring around 300 closed and open-ended funds. Funds are selected in accordance with Quilter Cheviot's investment strategy, involving both quantitative and qualitative analysis, with significant importance placed on meeting the individual fund managers and their teams.

When we invest via a third-party fund, one of our considerations is how the manager incorporates environmental, social and governance (ESG) factors as well as stewardship practices into their investment process, alongside traditional financial metrics. For us, taking environmental, social and governance issues into account is about ensuring all potential risks to an investment are considered. At worst, not considering ESG factors might lead to reputational and financial damage for companies that are not managing these issues effectively.

Examples of factors we may look for:

How does the manager approach these factors?

Environmental	Social	Governance
Water & energy: usage/ efficiency/scarcity	Human rights: managing global operations	Remuneration: balancing pay with results
New legislation regarding the use and disposal of plastic	Cyber security: understanding and managing the risks	Board challenge: composition, diversity, succession planning, time served
Commitments to reach net zero greenhouse gas emissions	Business ethics: pay, policies, tax	Share issuance: positive or detrimental
	Safety & quality standards	

These are risks that can lead to reputational and financial damage

The approach encompasses three key elements:

Our Fund Research team considers the approach taken by fund managers to ESG integration and engagement as part of its research and analysis process for evaluating funds. The analysts draw on various ESG inputs including holdings-based analysis via Style Analytics (a factor and ESG analytics provider) and the responses fund managers give to the responsible investment focused Request for Information (RFI) which has firm-level and fund-level questions on areas including responsible investment resource, integration approach, portfolio risk analysis and voting. A key part of the process, however, is the analysts' 1-2-1 meetings with fund managers and other relevant teams, whether as part of their regular due diligence meetings or as separate dedicated meetings, to discuss the approach taken to responsible investment, including:

- The expertise of the investment team and that of any separate responsible investment team, and how these work together.
- How internal and external ESG data is used within the process.
- How ESG factors are incorporated alongside the various traditional financial metrics the fund manager might use to assess companies.
- The extent to which material ESG risks are incorporated in a systematic way into analysis and decision making.
- The extent to which fund managers are engaging with company management with regard to ESG related issues.

The analysts use this assessment to assign an ESG rating to the fund, which reflects the degree to which they believe ESG risks and opportunities are embedded in investment analysis and decision making within the manager's investment process. We believe that ensuring due consideration is given to ESG factors as part of the investment process contributes towards markets properly pricing ESG risks and opportunities and over time should steer portfolios towards more sustainable companies. The Quilter Cheviot ESG fund rating is an internal measure to enable comparison of managers across sectors and asset classes. Given the fast pace of change across the investment fund industry to integrate ESG factors into the investment process, as well as the fast-evolving nature of ESG-related data, metrics, regulations and risks like climate risk, the fund research team see its ESG assessment of fund managers as an iterative process that will adapt over time. The analysts look to build an understanding of not just how ESG factors are incorporated into investment processes and engagement today but also the direction of travel, with further meetings over time to update and engage on progress made.

The ratings used by the fund research team are given below. Funds that have a bias towards sustainability themes or that target positive outcomes will additionally have a + tag. We seek to apply the ratings consistently across regions and asset classes. The ratings are intended to be dynamic as part of an iterative assessment of fund managers as they continue to make progress on investing responsibly.

Level D	Level 0	Level 1	Level 2	Level 3	Level 4
ESG difficult to apply	No consideration of ESG factors	Some consideration of ESG factors	Building process to formally consider ESG factors	Framework for formally considering ESG factors is in place	ESG is fully embedded within investment analysis and management of the strategy

The fund research team's engagements are currently focused on process, where the analysts seek to identify managers that are laggards in terms of their progress to integrate ESG factors and encourage them to take steps to improve. To do this, the team uses their discussions with managers on investment process and stock examples to assess a manager's analysis and understanding of the company's sustainability and broader ESG issues. In addition to this, the team regularly meets sustainability and corporate governance teams to discuss their approach to engagement and their involvement in industry groups as well as PRI signatory status where applicable.

We are mindful of:

- The asset class(es) the manager is investing in.
- The strategy that the manager is implementing.
- Adoption of global and local codes or principles.
- Quality over quantity.

The strategy that the manager is implementing

Depending on the strategy that the manager has adopted, we would expect certain ESG considerations:

	ESG Integration	Engagement & Voting
Active	Consider the extent to which ESG factors are embedded in the analysts' and fund manager's investment decision making	Engagement on ESG issues at firm level and fund manager level. Does the fund manager leave it to others to engage on ESG issues?
Passive	Consider the approach taken if ESG tilts are applied, including the source of ESG data. Any exclusions applied?	How extensive is engagement with companies and is meaningful voting action taken? What do they do where the exposure is synthetic?
Quant / Systematic	Consider sources and quality of ESG data and the approach taken. Are ESG risks integrated into the systematic process or is ESG considered as an additional factor to add alpha?	Are the shares held long enough to vote?
Ethical / Exclusions	Consider the exclusions chosen (e.g. traditional values/ unsustainable/a reflection of engagement), exact definitions (e.g. % revenues) and impact (on breadth of investment universe and tracking error) of the negative criteria applied	Engagement on ESG issues at firm level and fund manager level
Sustainable	Consider whether the emphasis is on best in class, sustainable themes, ESG improvers etc. Consider whether the fund has a focus on companies making a positive contribution or a focus on sustainable revenues in more of a financial sense. Consider the degree of positive bias in the portfolio and what exclusions are applied	Engagement on ESG issues at firm level and fund-manager level
Impact	Understand how positive impact is defined, assessed and measured, including how any negative impacts are considered	Engagement on any negative impacts as well as maximising the positive impacts

The asset class(es) the manager is investing in

Different asset classes present different ESG considerations:

	ESG Integration	Engagement & Voting
Equities	E, S and G factors affecting companies	Ability to use voting rights and engage with the board and company management
Fixed Income	ESG analysis for credit issuers similar to equities. Growth of green bonds and newer areas such as bonds linked to the UN Sustainable Development Goals and transition bonds. Sovereign bond analysis can be limited for developed markets but could increasingly incorporate climate risk in future	While they do not have voting rights like shareholders have, large fixed income managers can influence the funding structure of issuers. They can also engage on similar matters to equity investors and reconsider their funding if no progress is made

	ESG Integration	Engagement & Voting
Property	E & S factors affecting property holdings. Consider BREEAM rating and GRESB benchmarking	Incorporation of ESG issues into ownership policies and practices including measurement of sustainability performance of assets
Infrastructure	Look for ESG factors to be considered across the investment lifecycle	Incorporation of ESG issues into ownership policies and practices including measurement of sustainability performance of assets
Absolute Return / Hedge Funds	Depends on the asset class and strategy	Depends on the strategy and asset classes invested in, whether investments are physical or via derivatives, and the degree of turnover
Private Equity	E & S factors affecting investee companies. Governance structure of investee companies. Approach depends on whether fund of funds or direct	Incorporation of ESG issues into ownership policies and practices

Adoption of global and local codes or principles

We consider whether a firm is signed up to the United Nations' backed Principles for Responsible Investment (PRI) and UK Stewardship code, where appropriate.

As an additional measure, in June 2021, we implemented a requirement that any new funds included in our portfolios must have UN PRI signatory status via their investment manager/adviser. If this is a fund managed by a recently established firm, we would agree a timeline for the firm to sign up to the UN backed PRI. In exceptional circumstances, new funds may be added to our investment universe which are not, and do not have an intention to become a signatory. However, this would be extremely rare and the rationale for not being a signatory would have to be linked explicitly to the specific strategy that the fund was invested in. Any fund being added to coverage in this instance would need to be agreed by the Chief Investment Officer.

For funds within the current centrally monitored investment universe, we have identified a small proportion which are not PRI signatories. We expect a number of these will attain signatory status in the near term. For those that remain, we will continue to engage with them on this subject to continually evaluate the rationale for not becoming a signatory. We accept that for a very limited number of specific strategies, there is no tangible benefit in attaining signatory status at this stage given the nature of the underlying investments.

Managers may also align their strategy to the United Nations' Sustainable Development Goals (UNSDGs) or support other initiatives. We welcome this but will be sceptical where there is little concrete evidence of how they implement these.

Quality over quantity

In line with best practice, we expect managers to regularly publish details of their voting and engagement. In terms of the latter, we look for quality not quantity. Voting on thousands of resolutions at AGMs may be laudable but we are more interested in the thought process that goes into making these decisions. Often this quantum of voting may simply be the result of an automated voting system which does not lead to engagement with companies on key topics.

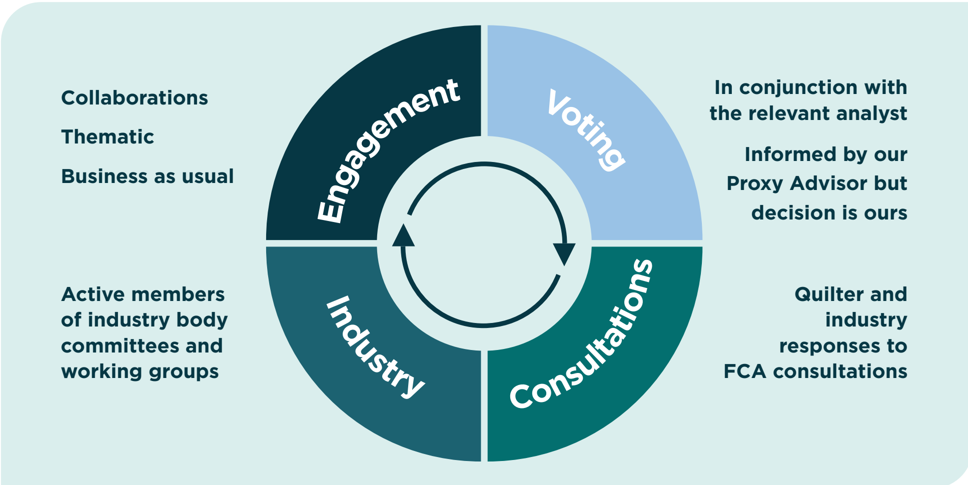
Fund research reporting

ESG integration is part of our fund research process. Our fund research is entirely proprietary, therefore we will not usually report publicly on manager-specific matters. We publish our voting and engagement record quarterly. Within this, we will include details of engagement with external managers if appropriate.

Engagement

Stewardship = Active Ownership

Engagement is part of our Stewardship (also known as active ownership) approach.



Being an active owner has many different facets

Best practice stewardship is not about single company engagements on governance topics, we aim to do more.

We want to amplify our engagement voice and outcomes as well as create a more enabling environment for our approach to responsible investment. We are doing this in a number of ways:

Collaborative engagement

We use a number of collaborative forums including to join with other investors to undertake engagement.

Industry participation

We are members of the TISA and PIMFA sustainable investment committees – where we are looking to share best practice and feed into industry thinking in enabling a supportive policy environment.

Engaging the wider 'ecosystem'

We aim to engage with external industry actors that contribute to the operations of investee companies this includes recruitment consultants and remuneration consultants. This is not only an effort to facilitate systemic change but also allows us to have more informed conversations with investee companies when discussing material topics like diversity and remuneration.

The responsible investment team lead the engagement process, working closely with the relevant equity research analyst.

Reactive – to an AGM/SGM resolution or controversial event

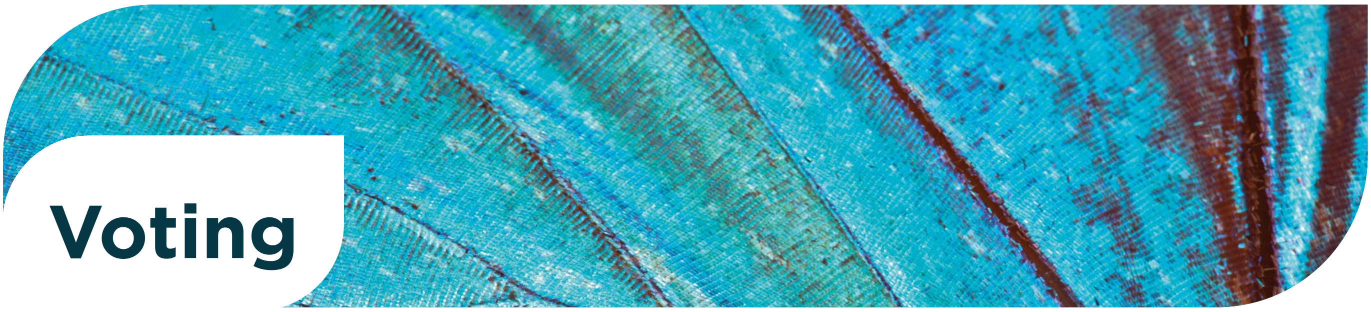
Proactive – may include thematic engagement

Business as usual – regular catch ups

By engagement, we mean speaking directly to boards of companies and investment trusts about the issues that concern us and understanding their general approach to material ESG issues. Our central teams of equity and fund analysts provide a dedicated investment research resource with no conflicting commitments. The research teams monitor investee companies and funds on an ongoing basis and regularly meet company management. It is imperative that ESG considerations sit within the investment decision-making process and are not outside it. Therefore, we will work closely with the equity or fund research team, with the relevant analyst joining the engagement in most instances. Our approach to engagement is detailed in our engagement policy. Proactive, thematic engagements are approved by our internal engagement panel. Core membership of this panel includes the CIO, CIS, Head of Equity Research and the Head of Responsible Investment.

Our response to the Stewardship Code can be found here:
plc.quilter.com/SysSiteAssets/documents/reports/stewardship-code-report-2022.pdf

Further information on our engagement policy be found on our website:
quiltercheviot.com/our-services/responsible-investment/stewardship/?Region=uk



Voting

Voting and engagement is part of our investment process. This means that all decisions are made in conjunction with the relevant analyst. We use ISS as our proxy voting service provider and have set a baseline policy which ISS bases its recommendations on. We do not always follow ISS' recommendations and we believe this is the right approach as it is important that we do not adopt a mechanistic approach to engagement and voting. Where there is a recommendation to vote against or abstain, we will seek to engage with the company in question. When we vote differently to ISS or vote against/abstain this is reviewed by the Voting Panel compromising of the Chief Investment Strategist, Chief Investment Officer, Head of Equity/Fund Research, and the Head of Responsible Investment. Decision making about voting includes the relevant Quilter Cheviot investment analyst. The occasions where we do vote differently to recommendations made by ISS are:

Where we have engaged with the company (either previously or as a result of the voting recommendation) and have determined that a different course of action is justified given that interaction.

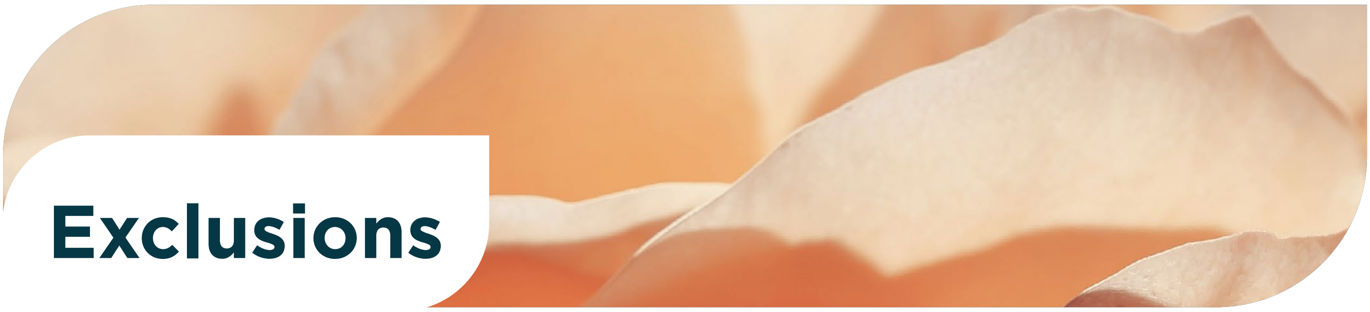
Share issuance resolutions for investment trusts: while we support the Pre-Emption Group's recommendations for maximum share issuance, we interpret this on a case-by-case basis to ensure the best outcome for our clients. All clients can instruct voting on holdings and votes will be placed in line with their instructions. We also enable clients to attend AGMs.

We vote on our global equity and investment trust positions*: this includes the monitored equity lists, the monitored investment trust list, our AIM portfolio service, MPS Building Blocks, funds managed by Quilter Cheviot** and where we own more than 0.2% or £2 million of a holding in the UK. This represents around 95% of the assets we hold which have voting rights. Voting is undertaken alongside engagement. The extent of the engagement is dependent on the materiality of our holding.

We have a long tail of holdings, which is unsurprising given the nature of our client base. We do not intend at this stage to vote on every single position we have. The reason for this is simple: voting is carried out in conjunction (in the majority of cases) with engagement. Therefore, while we could easily vote on every holding globally, we would not engage on that scale in a meaningful way, and in some cases the position will only be held by one client.

Further information on our voting policy and our approach to stewardship can be found on our website: **quiltercheviot.com/our-services/responsible-investment/stewardship/?Region=uk**

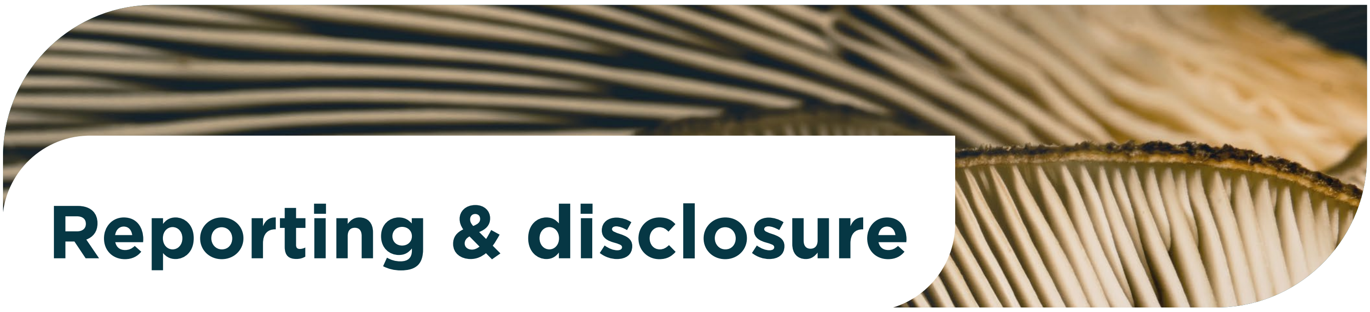
*As far as reasonably possible given the local regulations regarding share voting. Other infrequent instances of non-vote placement may include where Crest Depository Interests (CDIs), ADRs or GDRs are held. Ability to vote on these holdings differs on a case by case basis. **Climate Assets Balanced Fund and Climate Assets Growth Fund; Quilter Cheviot Global Income and Growth Fund for Charities; Quilter Investors Ethical Fund; Libero Balanced



Exclusions

We take a selective approach to exclusionary screening criteria as, in general, we believe most clients wish to retain broad market exposure. The only blanket exclusion we seek to employ for all investments relates to cluster bombs and anti-personnel land mines, as these are subject to international conventions and law. Where we invest directly, we do not knowingly invest in securities (equity or debt) of listed companies involved in the manufacture, development or trade of anti-personnel mines or cluster munitions. We also undertake regular checks to monitor any exposure through third-party actively managed funds to controversial weapons.

Ethical and values-oriented investment based on client requirements is incorporated on an individual client basis, informed by their specific ethical preferences and values within Quilter Cheviot's discretionary portfolio service. These will vary from client to client and will focus on industry groups, industries or individual companies. Beyond this, more specific negative screens may also be applied for funds that have clear responsible or sustainable investment related objectives; for example, the Climate Assets Funds. Typically, these could relate to activities that we feel are unsustainable, such as tobacco production, and which may either be excluded completely or subject to tolerance bands, such as revenue contribution, depending on the strategy. We also monitor all our strategies for exposure to controversial activities including, but not limited to: thermal coal; oil sands; military contracting and armaments; gambling; palm oil production and tobacco production.



Reporting & disclosure

As a signatory to the **UK Stewardship Code**, we commit to meeting the high standards that the Code expects from its signatories and as part of Quilter, we submit our report annually to the Financial Reporting Council for assessment.

As a signatory to the **UN-backed Principles for Responsible Investment**, we have made a commitment to transparency and recognise it is important in creating higher standards for responsible investment practices and for the wider financial market.

Shareholder's Rights Directive II (SRD II): we disclose (from June 2020 onwards) all the votes within our voting universe cast on behalf of discretionary clients. We have classified all votes that are enacted within our voting universe to be significant. We do not disclose client-instructed voting publicly.

We disclose engagements with all companies and funds on a quarterly basis. In some (rare) cases, we may choose not to name the company or the fund in question if we believe publicity is likely to prove counterproductive to our engagement process. Undertaking potentially sensitive engagement in public may lead to a defensive reaction and entrench the views of company management.

The reports are available on our website and on request.

Conflicts of interest

Quilter Cheviot's conflicts of interest policy may be found at: **quiltercheviot.com/siteassets/documents/important-information/os010171-qc-conflicts-of-interest-policy-uk.pdf**

It is possible that actual or perceived conflicts of interest may arise in relation to the execution of our stewardship activity. Should a conflict of interest arise which may influence us to not act fairly, independently, or objectively in the interests of our clients, we will follow the voting recommendations of our third-party proxy voting service provider.

Examples of possible conflicts include:

- A situation where we are a shareholder in a company and also in a commercial relationship with that same company as a result of investing in one of their funds. As we have a separation between our equity and our fund research teams, which are also both independent functions, we believe we can manage this conflict effectively given this separation.
- Quilter Cheviot is part of Quilter plc. There may be occasions where an interest to be voted is held in Quilter plc. In these cases, unless specifically directed by a client, we will follow the guidance given by our external proxy voting service provider with respect to voting.
- With respect to stewardship, it is possible that actual or perceived conflicts of interest may arise through the normal course of business in relation to the execution of our stewardship activity. For example, should a potential conflict of interest be identified when exercising proxy votes, which may influence us to not act fairly, independently or objectively in the interests of our customers, we will follow the voting recommendations of ISS, our third-party proxy voting service.
- Conflicts can occur between clients. Where this is the case, we will continue to act in the best interests of each client. Thus, for example, the equity share interests of different clients may be voted differently at the same meeting where it is in the interests of each to do so.
- Where an employee, any member of senior management or non-executive director of Quilter Cheviot is also a non-executive director of a company within our voting universe, we will apply the guidance of our external proxy voting service provider.

Additional information

Our solutions

Active ownership and ESG integration - for all discretionary clients

We vote and engage with companies and fund managers on environmental, social and governance (ESG) matters. Integrating ESG considerations into our investment process can have direct and indirect positive outcomes on the investments we make on behalf of our clients.

We take a more targeted approach for clients that want their portfolios to reflect their specific interests or preferences. Teams are responsible for incorporating this into their ongoing analysis of investments.

A Direct Equity Approach* – DPS Focused

The strategies harness Quilter Cheviot's research and responsible investment process, as well as data from external providers, to implement ESG factor screening on a positive and negative basis. Positive screening relates to the process of only including companies that reach a certain performance threshold. Negative screening excludes companies involved in pre-defined activities or controversial practices. This ensures more emphasis is placed on ESG risks beyond the firm-wide approach to active ownership and ESG integration which forms the basis of the Aware categorisation.

A Funds-Based Approach – Positive Change

A pragmatic approach that combines funds that invest with a sustainability focus or for impact, with funds managed by leading responsible investment practitioners. Meaningful engagement by fund houses with company management is prioritised over formal exclusions on the basis that engagement can encourage change where it is needed most.

Sustainable Investment – The Climate Assets Funds and Strategy**

Investing in the growth markets of sustainability and environmental technologies, with a strong underpinning of ethical values. The strategy is fossil fuel free and invests in global equities, fixed interest and alternative investments. Five positive investment themes are at the heart of the stock selection: low carbon energy, food, health, resource management and water.

Ethical And Values Oriented Investment – Client Specific

This is incorporated on an individual client basis, informed by their specific ethical preferences and values. These will vary from client to client and will focus on industry groups, industries or individual companies.

Client Preferences

We have identified three client preference categories: Aware, Focused and Dedicated. For existing clients, we have categorised these in accordance with their current investment strategy, however the adviser/investment manager will review this with the client at the next regular meeting. For example, if the client already invests in Climate Assets Funds or strategy then this would be aligned to the Dedicated category; similarly, for Positive Change this would align to the Focused category. The majority of clients will be aligned to the Aware category. The Aware category reflects the Quilter Cheviot firmwide approach to responsible investment which incorporates stewardship (voting and engagement) as well as integration of ESG considerations within the investment process. If financial factors such as tax preclude the client from moving to another category, then we will continue to treat them as Aware.

* For UK, North American and European equity holdings

** Climate Assets Balanced Fund and Climate Assets Growth Fund.

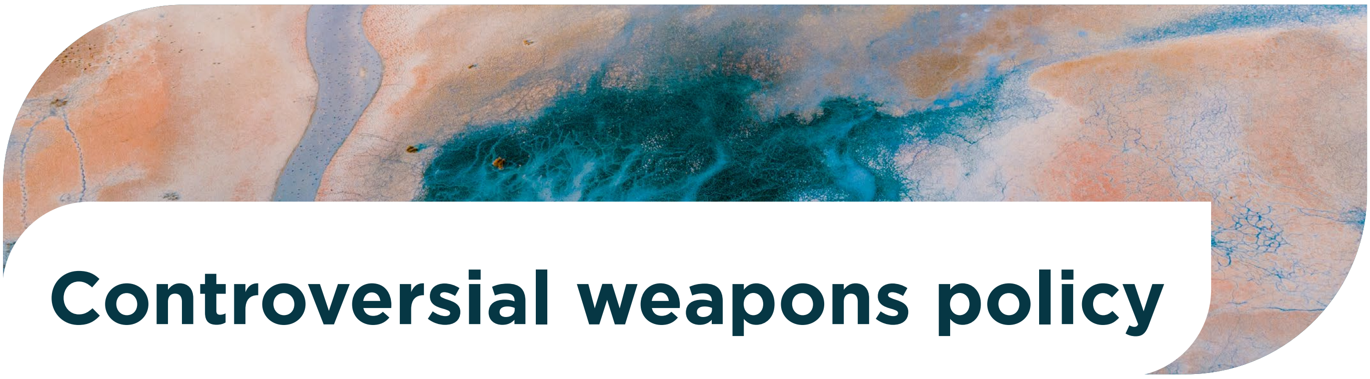
Collaborations and affiliations

As part of the Quilter plc, Quilter Cheviot is a signatory of the United Nations' Principles for Responsible Investment which is a global, investor- led initiative to promote and support the integration of ESG considerations into investment research and ownership practices.

As part of Quilter plc, we are a signatory to the UK Stewardship Code. We were among the first group of investors to become signatories to the revised Stewardship Code in 2021 and have retained signatory status in 2022 and 2023.

We are also members, either through Quilter plc, or in our own right of the following groups and organisations with the purpose of continually enhancing our approach to responsible investment:

- **Investor Group of the 30% Club**
- **UK Sustainable Investment and Finance Association (UKSIF)**
- **The Institutional Investors Group on Climate Change (IIGCC)**
- **CDP**
- **Personal Investment Management & Financial Advice Association (PIMFA)**
- **The Investing and Saving Alliance (TISA)**
- **The Investor Forum**
- **United Nations Global Compact**
- **Nature Action 100**
- **Climate Action 100+**



Controversial weapons policy

Controversial weapons policy

This statement sets out Quilter Cheviot's position with respect to investments in companies involved in the manufacture, development or trade of controversial weapons, specifically anti-personnel mines[1] and cluster munitions[2]. These weapons are subject to international and national law and are of concern due to their humanitarian consequences and the unacceptable harm caused to civilians through their use.

Legal context

The Anti-Personnel Landmines Convention 1997 bans the use, stockpiling, production and transfer of anti-personnel mines and prohibits assisting others in these prohibited acts. Over 160 countries, including the UK, have signed the Convention. This treaty has been implemented in the UK through the Landmines Act 1998.

The Convention on Cluster Munitions 2008 bans the use, production, stockpiling and transfer of cluster munitions. It became legally binding on 1 August 2010, and at the time of writing 94 countries, including the UK, are signatories. Countries that have signed the Convention undertake "never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited". This treaty has been implemented in the UK via the Cluster Munitions (Prohibitions) Act 2010.

Quilter Cheviot's position

Quilter Cheviot will not knowingly invest directly in securities (equity or debt) of listed companies involved in the manufacture, development or trade of anti-personnel mines or cluster munitions or components or services of the core weapon system which are considered tailor-made and essential for the lethal use of such weapons[3]. This policy applies to portfolios directly managed by Quilter Cheviot where we have discretion over security selection. Information regarding companies' involvement in anti-personnel mines or cluster munitions is provided by an independent third-party provider.

Attestation

For indirect holdings via funds, we have undertaken an engagement process with the relevant manager to determine exposure and asked managers to sign an attestation letter to confirm avoidance of cluster munitions and anti-personnel landmines. Our focus has been on the active funds that we hold[4]. With some managers, where data or definitions were not absolutely aligned, this led to a more detailed review of their approach to ensuring this exclusion.

1 An "anti-personnel mine" is a landmine which is designed to be detonated by the presence, proximity or contact of an individual and is capable of incapacitating, injuring or killing an individual.

2 "Cluster munition" means a conventional munition that is designed to disperse or release explosive sub-munitions each weighing less than 20 kilograms. "Prohibited munition" means a cluster munition, or an explosive bomblet that is specifically designed to be dispersed or released from dispensers affixed to aircraft ("a relevant explosive bomblet").

3 The policy covers long and short positions in companies that manufacture develop or trade in core weapon systems which are components/services that are tailor-made and essential for the lethal use of the weapon, e.g. warhead, propulsion system. The policy does not apply to supporting systems or technical/administrative support that whilst essential are not tailor-made for the core weapon system. In the event of exposure via a parent/subsidiary company relationship we apply a 20% ownership threshold.

4 Given the nature of funds that track or replicate indices, policies relating to controversial weapons are not generally applicable to them.

Shareholder engagement policy

This is Quilter Cheviot's response to the Shareholder Rights Directive (SRD II) requirements regarding shareholder engagement. This should be read in conjunction with our response to the Stewardship Code, our voting principles, our engagement policy, as well as our overarching approach to responsible investment.

Firms to develop and publicly disclose a policy on shareholder engagement or explain why they have chosen not to do so.

For more information, please refer to our Stewardship Code response which provides additional detail and outlines our approach to responsible investment. Quilter Cheviot has a team of over 20 analysts who work alongside the responsible investment team.

The shareholder engagement policy must include information on how the asset manager:

- **integrates shareholder engagement in their investment strategy;**
- **monitors the investee company on relevant matters, including strategy, financial and non-financial performance and risk;**
- **evaluates the capital structure, social and environmental impact and corporate governance;**
- **conducts dialogues or engages with investee companies;**
- **exercises voting rights and other rights attached to shares;**
- **cooperates with other shareholders;**
- **communicates with relevant stakeholders of the investee companies; and manages conflicts of interests.**

On an annual basis, the asset manager must publicly disclose how their engagement policy has been implemented, including:

- **a general description of voting behaviour;**
- **an explanation of the most significant votes and the use of the services of proxy advisors;**
- **disclose how they have cast votes in the general meetings of companies in which they hold shares;**
- **where an asset manager does not in a given year publicly disclose how its engagement policy has been implemented, it must publicly disclose a clear and reasoned explanation for its failure to do so.**

We disclose our voting and engagement on a quarterly basis. From June 2020, we disclose all the votes within our voting universe cast on behalf of discretionary clients. We have classified all votes that are enacted within our voting universe to be significant. We do not disclose client-instructed voting publically.

The shareholder engagement policy and information on how it has been implemented must be available free of charge on the asset manager's website and must be updated annually.

We disclose this information on our website and it is updated quarterly:
quiltercheviot.com/our-services/responsible-investment/stewardship/?Role=pc

Where an asset manager invests on behalf of an institutional investor, whether on a discretionary basis or through an investment fund, asset managers must disclose on an annual basis, to institutional investors with which they have entered into arrangements, information on:

- **how the investment strategy and its implementation complies with arrangements with the institutional investor;**
- **how it contributes to the medium to long-term performance of the assets of the institutional investor of the fund;**
- **the key material medium to long-term risks associated with investments made;**
- **portfolio composition, turnover and turnover costs;**
- **the use of proxy advisors for the purposes of engagement activities;**
- **securities lending policy and its impact on engagement with investee companies;**
- **whether investment decisions are made on the basis of evaluation of the medium to long-term performance of the investee company;**
- **whether conflicts of interest have arisen, the nature of those conflicts and the manner of dealing with them.**

Where we act on behalf of an institutional investor, our reporting includes all of the above information.

Sustainability risks

We consider sustainability risks as defined below when assessing investments. We refer to this as ESG integration and this is an ongoing process across all asset classes that we invest in.

An environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Considering sustainability risks and factors at Quilter Cheviot

Sustainability risks are an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. As part of our responsible investment approach, we consider sustainability risks and factors when assessing investments. We refer to this as ESG (environmental, social and governance) factor integration and this is an ongoing process across all asset classes we invest in.

This applies to centrally monitored holdings only. Your Investment Manager has the flexibility, within a controlled framework, to tailor your portfolio with regard to asset allocation and security selection, in order to accommodate your investment requirements.

We invest directly as well as indirectly through funds. Here we have outlined our approach to considering ESG related risks and factors within our investment process.

To identify and prioritise ESG factors within our direct equity holdings, we use a number of data sources, including MSCI, ISS, Sustainalytics, Ethical Screening, and other third-party research providers and NGOs (non-government organisations). We have created proprietary industry group dashboards to incorporate material ESG factors based on the Sustainability Accounting Standards Board (SASB) framework plus additional factors which are identified in conjunction with the relevant analyst which are determined to be relevant to the sector. This will then inform:

- which of the three responsible investment categories the holding sits within;
- engagement priorities to understand specific ESG issues at a company level; and
- engagements within our three thematic priorities of climate change, human rights and natural capital.

For indirect holdings, i.e. holdings in third-party funds the focus is on:

- ongoing assessments of the manager's approach to ESG integration and active ownership (their approach to voting and engagement);
- quantitative ESG analysis on underlying fund holdings to identify risks and opportunities, and engagement on specific holdings where appropriate;
- evaluation of the firm's net zero and climate transition planning; and
- how the firm approaches responsible investment across its business.

A significant part of our bond exposure is through third-party funds, therefore the fund research approach of understanding the underlying manager's ESG process applies. ESG analysis for credit issuers is on a similar basis to equities. The growth of green bond issuance, and newer areas like bonds linked to the UN Sustainable Development Goals, and transition bonds, adds a new dimension which we would expect third-party managers to evaluate appropriately. Sovereign bond analysis can be limited for developed markets but could increasingly incorporate climate risk in the future.

Our responsible investment framework

There are four key areas that this focuses on, in addition to our firm-wide process:

Read more: ESG Considerations
quiltercheviot.com/our-services/responsible-investment/esg-integration/

- **Climate Assets Funds**
quiltercheviot.com/our-services/climate-assets-funds/
- **Positive Change strategy**
quiltercheviot.com/our-services/positive-change-strategy/
- **DPS Focused**
quiltercheviot.com/our-services/dps-focused/
- **Ethical and values-oriented investing**
quiltercheviot.com/working-with-you/specialist-expertise/ethical-and-values-oriented-investing/

For more detailed information on our responsible investment framework
https://www.quiltercheviot.com/our-services/responsible-investment/

Responsible Investment team at Quilter Cheviot

We have a dedicated responsible investment team which:

- Has overall responsibility for active ownership (engagement and voting) and industry collaborations.
- Works alongside the research teams to continually enhance our ESG integration approach.
- Leads strategic and regulatory developments.

Gemma Woodward

Head of Responsible Investment

Gemma joined Quilter Cheviot in 2015 to develop its approach to responsible investment and lead the strategic direction across the business. She is a member of the Investment Oversight Committee within Quilter Cheviot and is a member of TISA's Responsible & Sustainable Investment Committee, as well the Disclosure and Labelling Advisory Group (DLAG) for the FCA. She has over 25 years of investment experience and has spent the majority of that time focused on the charity sector, and specifically customers with complex responsible investment requirements. She is a trustee for two charities and sits as an independent investment adviser on a further charity investment committee. She is a Chartered Wealth Manager and has a degree in history from Durham University. Gemma's experience of being an investment practitioner is helpful in understanding the real-life issues of incorporating ESG factors within the investment process and for customer portfolios and strategies.

Nicholas Omale

Responsible Investment Analyst

Nicholas joined Quilter Cheviot in 2021. The primary focus of his role has been to develop data dashboards for the equity analysts. Nicholas completed the Investment Trainee programme at BNP Paribas Asset Management and has an MSc in International Financial Management from Queen Mary University of London, a Business and Economics degree from the University of Roehampton and has completed the CFA ESG qualification. Nicholas' quantitative approach to responsible investment brings a new skillset to the team and has enabled the building of new data tools for the equity research team as well as for our model portfolios and funds.

Ramón Secades

Responsible Investment Analyst

Ramón joined Quilter Cheviot in 2022 and his focus is on engaging with companies and boards to better understand how they manage ESG-related risks and opportunities, as well as contributing to our active ownership (voting and engagement) agenda. Ramón graduated from Royal Holloway University with a degree in Business. Prior to joining Quilter Cheviot, Ramón worked for corporate governance and ESG consultancy firms which provides a different viewpoint.

Greg Kearney

Senior Responsible Investment Analyst

Greg joined Quilter Cheviot in 2019 and his role is focused on voting and engagement as well as leading thematic and collaborative engagements. Greg represents Quilter Cheviot on a number of collaborative engagement working groups including those for Climate Action 100+ and Nature Action 100. He also represents Quilter at the 30% Club. International Political Economy from the University of York. He has also completed the Chartered Alternative Investment Analyst ("CAIA") qualification. Greg's experience working at the UN PRI has informed Quilter Cheviot's approach to responsible investment and understanding what best practice looks like.

Margaret Schmitt

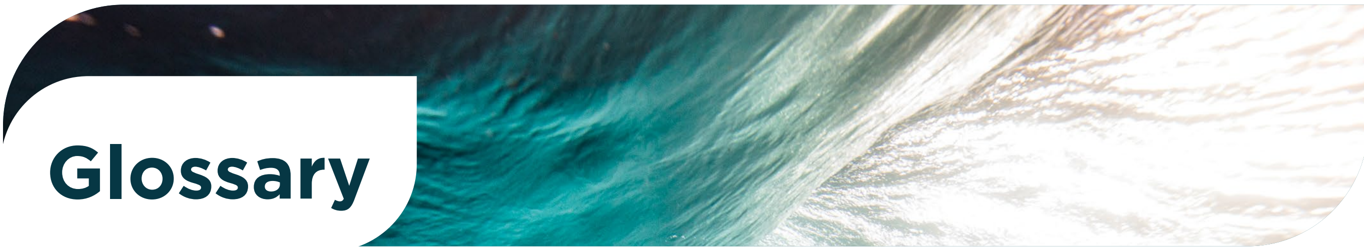
Responsible Investment Analyst

Margaret joined in May 2023 as a specialist within the team focusing on climate and how to incorporate this into investment and engagement practices. She leads on engagements to evaluate climate transition plans of companies and funds, as well as participating in policy engagements. Margaret graduated with a degree in Environmental Science and Policy from Grinnell College (Iowa, USA). Prior to joining Quilter Cheviot, Margaret worked for NGOs before joining a sustainability consultancy.

Kirsty Ward

Responsible Investment Analyst

Kirsty joined in 2022 and her focus is on managing our voting activity, as well as contributing to our ongoing engagement programme. Kirsty graduated from the University of Nottingham with a degree in Politics. Kirsty's prior experience as a resourcing co-ordinator is beneficial in ensuring the voting process is streamlined and efficient. Her active interest in diversity and inclusion is an additional asset and she contributes to collaborative working groups in these areas. Kirsty has completed the CFA ESG qualification, CISI Level 3 International Certificate in Wealth & Investment Management and is currently working towards the CISI Level 4 Diploma in International Advanced Wealth Management.



Glossary

Welcome to our comprehensive responsible investment glossary. We're aware the investment world is full of specialised terminology, so hopefully you'll find the following key terms and concepts will enable you to navigate the world of Environmental, Social, and Governance (ESG) more easily.

Active ownership (Stewardship): Investors actively use voting and engagement to influence the management of companies with respect to environmental, social or governance factors. Similar principles are also used by investors in other asset classes such as fixed income, private equity or property. This will also involve active participation in industry and peer group collaborative initiatives.

Annual General Meeting (AGM): An annual general meeting is a requirement for all publicly listed companies. This meeting, held annually, provides an opportunity for shareholders to vote on company decisions either in person or by proxy.

American Depositary Receipts (ADRs): An ADR is a negotiable certificate that evidences an ownership interest in American Depositary Shares. ADRs allow U.S. investors to invest in non-U.S. companies and give non-U.S. companies easier access to the U.S. capital markets.

Source: US Securities and Exchange Commission

Carbon footprint: The total amount of greenhouse gases (including carbon dioxide and methane) that are generated by our actions.

Carbon pricing: Operates by placing a fee on emitting and/or offering an incentive for emitting fewer carbon emissions. This may refer to the rate of a carbon tax, or the price of emissions permits.

Carbon pricing has emerged as a key policy mechanism to curb and mitigate the dangerous impacts of greenhouse gas pollution and drive investments towards cleaner, more efficient alternatives.

Source: CDP

Circular economy: The model of production and consumption which involves sharing, leasing, reusing, repairing, refurbishing, and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended.

Clawback (and malus): Incentive plans should include provisions that allow the company, in specified circumstances, to ensure that a recipient:

- forfeits all or part of a bonus or long-term incentive award before it has vested and been paid – this is called 'malus' and/or
- pays back sums already paid – this is called 'clawback'

Climate change: This refers to a change in the state of the climate that can be identified (e.g. by using statistical tests) and that persists for an extended period, typically decades or longer. Climate change may be due to natural internal processes or external forcings such as changed of the solar cycles, volcanic eruptions, and persistent anthropogenic (environmental change caused or influenced by people directly or indirectly) changes in the composition of the atmosphere or in land use.

This is one of the three Quilter responsible investment priorities.

Source: Intergovernmental Panel on Climate Change (IPCC)

COP: An acronym for 'Conference of the Parties' that can be used to refer to the meetings of countries as part of the United Nations (UN) Framework Convention on Climate Change (UNFCCC).

Disapplication of pre-emption rights: Existing shareholders do not have first refusal on new shares and therefore their holdings will be diluted.

Engagement: Investors enter into purposeful dialogue with companies, funds, industry bodies, and governments to discuss environmental, social, and governance related issues in order to gain more information or to encourage and achieve change. This may be in collaboration with other investors.

ESG (Environmental, Social, and Governance): The risks and opportunities related to ESG issues.

Environmental - relating to the environment. Examples include resource, water and land use, biodiversity, pollution, atmospheric emissions, climate change, and waste.

Social - relating to the relationship between companies and people, such as their employees, suppliers, customers, and communities. Examples of social issues of interest to investors include health and safety, labour standards, supply-chain management, and consumer protection.

Governance - relating to the governance of an organisation, also referred to as corporate governance. Examples include board composition, executive remuneration, internal controls, and balancing the interests of all stakeholders.

ESG integration: Analysing ESG data to better inform investment decisions.

ESG screening: Ethical and values-oriented investment based on client requirements is incorporated on an individual client basis within the Discretionary Portfolio Service. This is informed by their specific ethical preferences and values and will vary from client to client and will focus on sectors, industries, or individual companies.

Executive director: These are directors who act perform managerial duties within a business. They are held to account by the non-executive directors.

Global Depositary Receipt (GDR): A Global Depositary Receipt (GDR) is a negotiable certificate held in a country's local banks representing title to a certain number of foreign shares. Non-domestic companies wishing to list on the local exchange must offer GDRs.

Source: Morningstar

Green bonds: Differentiated from a regular bond by being "labelled" i.e., designated as "green" by the issuer or another entity, whereby a commitment is made to use the proceeds of green bonds (i.e., the principal) in a transparent manner, and exclusively to finance or refinance "green" projects, assets or business activities with an environmental benefit.

Greenhouse gases (GHG): Greenhouse gases (GHGs) are carbon dioxide, methane, nitrous oxide, and ozone. They account for a tiny fraction of the atmosphere, but they are a critical part of the overall atmosphere composition as they play a significant role in trapping the earth's heat and warming our planet. Since industrialisation, GHG concentrations have rocketed, warming the planet at unprecedented rates. The major cause of the increase in carbon emissions has been the use of fossil fuels in producing energy.

Greenwashing: Greenwashing describes misleading or unsubstantiated claims made by businesses including investment firms about the environmental performance of their products or activities.

Human rights: Human rights are the rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination.

This is one of the three Quilter responsible investment priorities.

Just transition: Just transition is a framework to ensure the substantial benefits of a green economy transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers, or consumers.

Lead independent director: The role of a lead independent director is to serve as an intermediary between the independent directors, chairman and chief executive officer. Where a company maintains a combined Chief Executive Officer (CEO)/chair position, a lead independent director can serve as an independent counterweight to an executive (non -independent) chair.

Long-term incentive plan (LTIP): A type of executive compensation that pays out usually in the form of shares company. The reward is linked to performance metrics and the pay-out will be calibrated in line with the achievement of these. The quantum of the pay-out is linked to multiples of salary.

Natural capital: Natural capital is stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, or minerals) that combine to yield a flow of benefits and ecosystem services to society.

This is one of the three Quilter responsible investment priorities.

NEDs (Non-Executive Directors): These are directors who act in advisory capacity only, however they should hold the executive directors to account. They are not employees of the company; however, they are paid a fee for their services.

Net zero: Achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. Where multiple greenhouse gases are involved, the quantification of net zero emissions depends on the climate metric chosen to compare emissions of different gases (such as global warming potential, global temperature change potential, and others, as well as the chosen time horizon).

Source: IPCC

Over-boarded: Where non-executive directors are deemed to have a potentially excessive number of non-executive positions and the concern is whether they have sufficient time to contribute to the board of a company.

Paris Agreement on climate change: The Paris Agreement was a global agreement to strengthen the global response to climate change. It was agreed in 2015 that the global temperature rise this century should be kept to well below 2°C above pre-industrial levels and ideally below 1.5°C.

Power of Attorney: An instrument used to bestow authority to act on someone's behalf.

Pre-emption rights: These give shareholders first refusal when a company is issuing shares.

Premium listing: This was previously known as a primary listing for the London Stock Exchange. A company with a premium listing is expected to meet the UK's highest standards of regulation and corporate governance.

Principles of Responsible Investment (PRI): The world's leading voluntary initiative on responsible investment. Launched in 2006 it now has thousands of investor signatories globally who commit to adopt six principles for responsible investment and report against these annually. Although voluntary and investor-led the PRI is supported by the United Nations.

Proxy voting: Where a shareholder delegates their voting rights to be exercised on their behalf. Often voting rights are delegated to investment managers who exercise votes on investors' behalf. Votes are used to express shareholder opinions to company management.

Responsible investment: A strategy and practice to incorporate ESG factors in investment decisions and active ownership.

Source: PRI

Restricted share plan (RSUs): Some companies (and indeed investors) prefer the use of these plans as opposed to LTIPs (see above). The idea is that this type of plan encourages long-term behaviours and does not have the same use of targets that you would see within an LTIP. Therefore, it is expected that companies which adopt such an approach award a lower amount than would be seen under an LTIP which has a variable structure dependent on performance outcomes.

Share blocking: This refers to a rule prohibiting shareowners from trading or loaning shares that they intend to vote for some period of time leading up to, and often following, the company meeting date.

Short-term incentive plan (STIP): A type of executive compensation schemed that seeks to align a proportion of overall executive pay with a company's short-term strategy. STI have a performance year of one year or less and are typically paid in cash but may also be paid in shares.

SID (Senior Independent Director): The SID position is taken by an independent NED. The SID often plays a critical role in ensuring communication channels are open between the board and shareholders.

Stranded assets: Stranded assets describe the assets on corporate balance sheets that could rapidly lose their value because of forced write-offs. An example of this would be fossil fuel reserves remain unburned.

Stewardship: The responsible allocation, management, and oversight of capital to create long-term value for investors and beneficiaries leading to sustainable benefits for the economy, the environment, and society.

Source: Financial Reporting Council (FRC)

Sustainability focused investment: Sustainability-focused investment is an investment approach that selects and includes investments on the basis they fulfil certain sustainability criteria and/ or deliver on specific and measurable sustainability outcomes. Investments are selected based upon the sustainable solutions that they provide, such as what a company produces or the services it delivers. Consideration is often also given to how the company or asset delivers those products and services. There are different methods for assessing the sustainability characteristics of an investment, many of which reference an established framework such as the UN Sustainable Development Goals.

Task Force on Climate-related Financial Disclosures (TCFD): The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information.

Tender – bid waiver: This is the right to waive the requirement to make a general offer under Rule 9 of the Takeover Code, resulting in a request to procure a good or service to take place without public bidding.

The Shareholder Rights Directive II (SRD II): Establishes rules promoting the exercise of shareholder rights at general meetings of companies with registered offices in the EU and the shares of which are admitted to trading on a regulated market in the EU .The 2017 revision (Directive (EU) 2017/828) aims to encourage long-term shareholder engagement to ensure that decisions are made for the long-term stability of a company and take into account environmental and social issues. A notable requirement within this is for asset managers to report on their voting activity and shareholder engagement on an annual basis.

Source: EU Directive

Task Force on Nature-related Financial Disclosures (TNFD): TNFD was formed to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature related risks. The ultimate aim is to support a shift in global financial flows away from nature-negative outcomes and towards nature-positive outcomes.

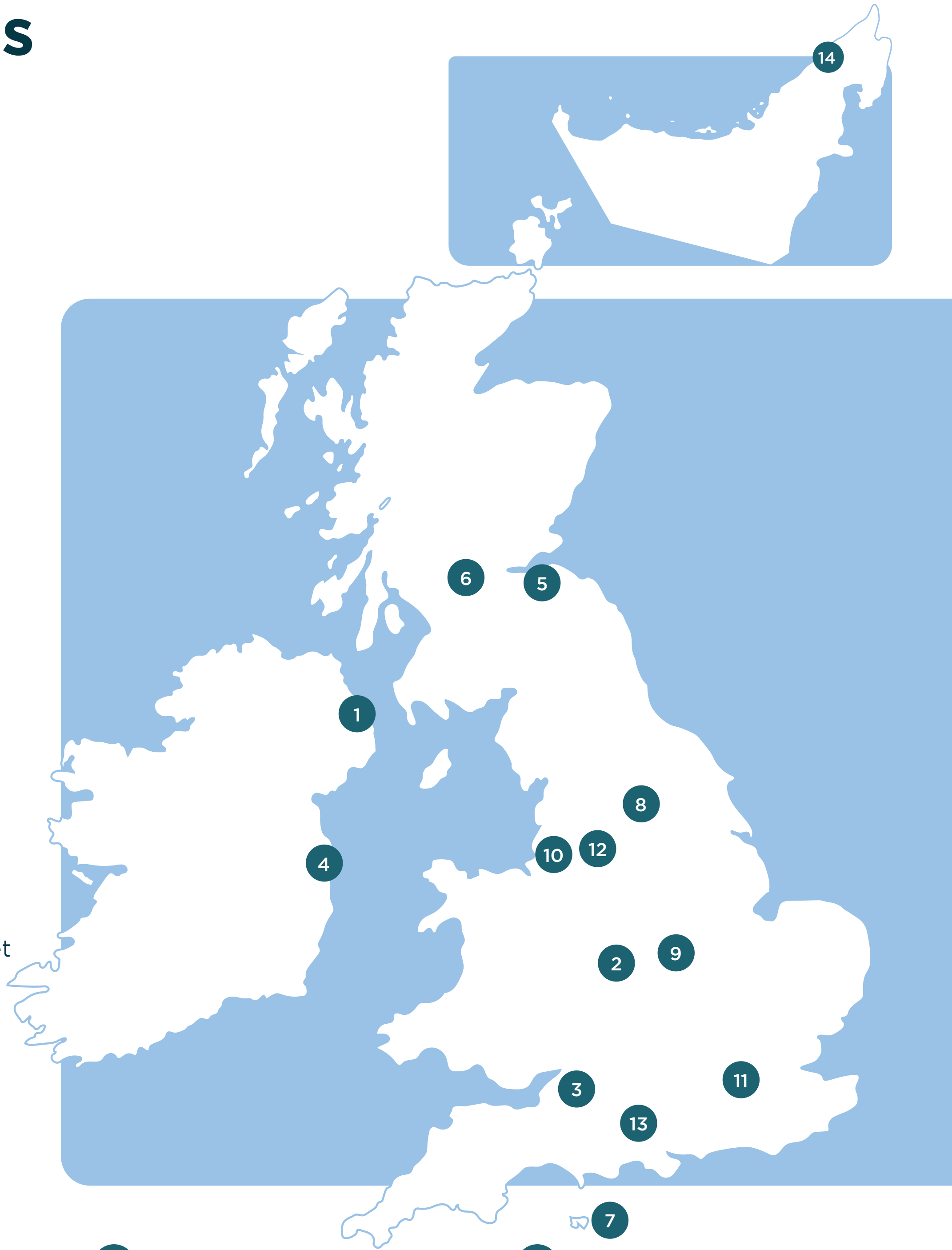
Total shareholder return (TSR): Is a measure of the performance of a company's shares; it combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.

UN Sustainable Development Goals (SDGs): The 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 UN Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth - all while tackling climate change and working to preserve our oceans and forests.

Source: United Nations

Voting Rights: Shares in listed companies typically come with specific voting rights which can be exercised at the company's annual general meeting or extraordinary meetings. They can be used as a means of expressing the opinion of the shareholder about how the company is being managed. This is also referred to as proxy voting when voting rights are delegated, for example to investment managers who exercise voting rights on an investor's behalf.

Our offices



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