

Considering sustainability risks and factors at Quilter Cheviot

Sustainability risks are an environmental, social or governance event or condition that, if occur, 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 we use a number of data sources which inform our engagement strategy focused on our three mega themes of climate change, human rights and natural capital. Underpinning our stewardship approach is our governance engagement activity through which we hold the companies and funds we invest in, to account.

For our direct equity holdings 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, as well as governance matters.

For indirect holdings, i.e. holdings in third-party funds we have constructed asset class and geographic dashboards which inform:

- 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.

Our focus is on our centrally monitored holdings which as at 31 December 2024, represented 92% of our overall assets under management. For our direct holdings of equities, it is our research analysts' responsibility to identify ESG factors (both challenges and opportunities) when they initiate on a new holding, as well as on an ongoing monitoring basis. We combine this approach with an over-arching programme to engage with our key holdings on both a reactive (to news-flow) as well as on a proactive basis. Our Fund Research team is responsible for engaging with third party managers to understand their approach to ESG

integration and stewardship, again this is part of the research initiation process as well as on an ongoing basis. This process involves a qualitative as well as a quantitative approach. The Responsible Investment team works alongside the research teams and leads the engagement and integration processes.

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.

Within our ESG integration process we do not exclude specific sectors or activities (the only area where we have a firm wide restriction is controversial weapons). However, our responsible investment framework offers clients the opportunity to determine their own approach.

Quilter Cheviot's Remuneration Policy is consistent with and promotes sound and effective risk management, including sustainability risk, and does not encourage risk-taking which is inconsistent with clients' risk profiles, client objectives and personal circumstances.

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