QUILTER CHEVIOT

Quilter Cheviot TCFD Report 2024

12 months to 31 December 2024

Approver: Quilter Cheviot Limited March 2025

SPECIALISTS IN INVESTMENT MANAGEMENT

Contents

3 **Introduction**
4 A message from our CEO
5 About Quilter Cheviot
7 Our approach to managing climate-related risks and opportunities
8 Disclosure summary

12 **Governance**
13 Quilter Cheviot's oversight of climate-related risks and opportunities
14 Management's role regarding climate-related risks and opportunities
15 Resources

16 **Strategy**
17 Our timeline
18 Our emissions
19 Climate-related risks and opportunities
20 Investment risks and opportunities
26 Climate scenario analysis - investments

28 **Risk Management**
29 Climate risks within our investments
31 Our responsible investment approach and climate-related risks
45 Training and education
45 Anti-greenwashing
46 Governance, oversight, and insights
46 Client preferences

47 **Metrics and Targets**
48 Emissions in our investments

50 **Glossary**

54 **Disclaimer**

Introduction

Andy McGlone
Chief Executive Officer

Compliance statement
The disclosures in this report, including any third party or group disclosures cross-referenced in the report, comply with the entity reporting requirements under Chapter 2 of the FCA's ESG Sourcebook and are mostly consistent with the 11 recommendations set out by the TCFD. We have indicated within our disclosure summary the extent to which we have met the recommendations. Our separate product reports disclose the required metrics in line with chapter 2 of the FCA's ESG Sourcebook and for 2024 these will be published by 30 June 2025.

A message from our Chief Executive Officer

We are committed to using our resources, expertise, and influence to address climate-related risks and opportunities in the way we invest.

Climate change is having an increasingly damaging impact on our planet. Transition to a net zero economy is critical if we are to mitigate these impacts. At Quilter Cheviot, we believe we have an important role to play in the transition to a net zero world and in proactively supporting actions to combat climate change. We are committed to using our resources, expertise, and influence to address climate-related risks and opportunities in the way we invest.

This is the second TCFD report produced by Quilter Cheviot Limited and covers the 12 months to 31 December 2024. Within the report we focus on how we have identified climate-related risks and opportunities for the investments we manage on behalf of our clients; and how we manage those risks. The risks are not just limited to the investments themselves; it is also about the way we interact with our clients; the oversight and governance we have in place and the training and education we provide for our colleagues.

During 2024, we made the following progress:

1. **Governance and oversight:** we implemented the enhancements outlined in our 2023 report to investment committees and processes within Quilter Cheviot as outlined in pages 13-15 of this report.
2. **Engagement and collaboration:** we have continued to engage with companies and funds we invest in to understand their climate transition planning and how they manage climate-related risks. Additionally, we continued to be active members of three collaborative engagement groups focused on climate-related risks, and we joined the PRI Spring Initiative focused on natural capital. We have significant holdings in third-party funds and joined two groups focused on this: Wealth Managers on Climate and the IIGCC External Fund Manager Working Group.
3. **Measuring financed emissions:** we have expanded the reporting of our financed emissions from last year. In 2023, we disclosed the financed emissions for the centrally monitored direct equity universe. For 2024, we have expanded that to all holdings within the centrally monitored universe where we have climate data.
4. **Data quality:** we continue to conduct extensive ongoing engagement with data providers, including monthly reviews of all data issues flagged and proposed resolutions. We track the type and outcome of each data issue flagged and use these in quarterly meetings with data providers to set expectations for improvements.

About Quilter Cheviot

Quilter plc is a leading provider of financial advice, investments, and wealth management, committed to being the UK's best wealth manager for clients and their advisers.

We have an adviser and client offering spanning: financial advice, investment platforms, multi-asset investment solutions, and discretionary investment management. Within this report references to Quilter or Group refer to the overall business, Quilter plc.

The business is comprised of two segments: **Affluent** and **High Net Worth**.

Affluent

Quilter Financial Planning

Supports around 1,400 restricted financial planners in the UK. Advisers within our network partner with us to help them run and grow their business. Our national advice business, Quilter Financial Advisers, helps customers across the UK with all their financial planning needs.

Quilter Investors

Our fund management business provides advisers and their customers with multi-asset investment solutions to meet their needs.

Quilter Investment Platform

Enables financial advisers to deliver the very best service to customers and their families, to help them achieve their financial goals. We offer a comprehensive range of products and investments through our award-winning online investment platform.

High Net Worth

Quilter Cheviot

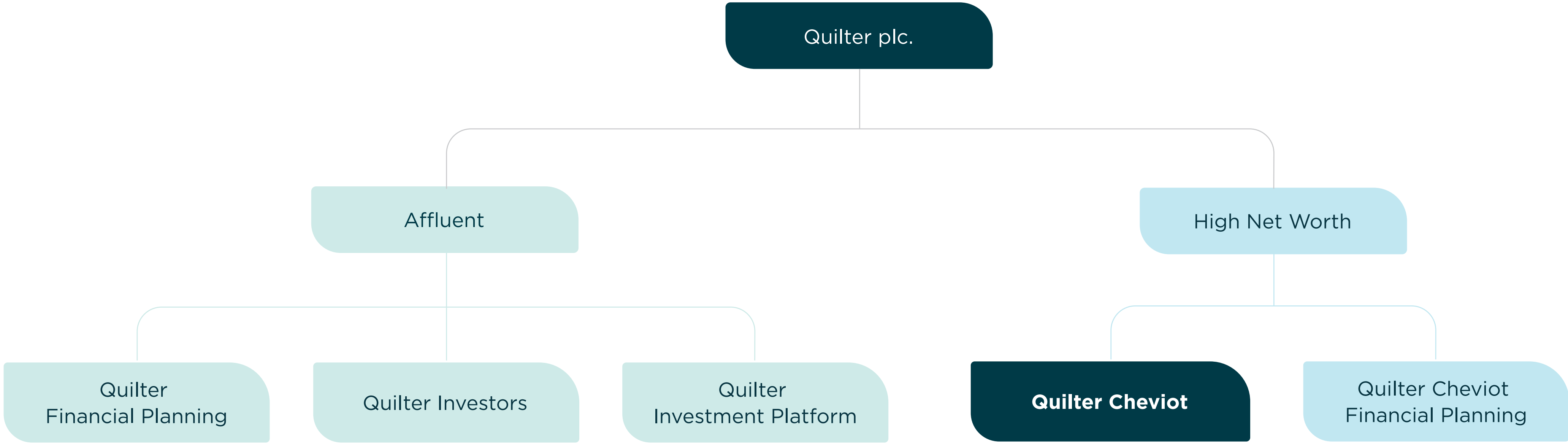
Our discretionary investment manager which offers bespoke portfolio management services to over 35,000 clients.

Quilter Cheviot Financial Planning

Specialises in helping customers with complex financial needs.

Please refer to the glossary for an explanation of key terms used in this report.

About our business



This report is focused on **Quilter Cheviot**, the discretionary investment manager within Quilter plc.

Please refer to the glossary for an explanation of key terms used in this report.

Our approach to managing climate-related risks and opportunities

This report sets out Quilter Cheviot's approach and activities in relation to climate-related risks and opportunities for 2024 as required by the TCFD. This report focuses on the investments managed by Quilter Cheviot Limited. For information on Quilter plc's Group TCFD report **plc.quilter.com/tcfd/**

This report is structured in line with that of the Group and there is no material deviation.

In producing the report, we have taken into account the following guidance:

- The TCFD Final Report (2017) and the TCFD Annex (2021)
- The TCFD all sector guidance (2021) as well as the additional guidance for asset managers (2021)
- The TCFD Technical Supplement on the Use of Scenario Analysis (2017)
- The TCFD Guidance on Risk Management Integration and Disclosure (2020)
- The TCFD Guidance on Metrics, Targets and Transition Plans (2021)
- The Financial Conduct Authority's review of TCFD-aligned disclosures by premium listed companies (2022)
- The Financial Reporting Council's thematic review of TCFD and climate disclosures (2022)

This disclosure is largely consistent with the 11 recommendations set by the TCFD. We have indicated within our disclosure summary the extent to which we have met the recommendations. This report is focused on Scope 3 (category 15) emissions which relate to the investments we manage on behalf of our clients. These are also called financed emissions.

In 2024 we have made significant progress in sourcing data and therefore have been able to expand our disclosure of Scope 3 (category 15) emissions and Climate Value at Risk (CVaR) which relate to the investments we manage on behalf of our clients. Within this report we have disclosed the emissions for our centrally monitored universe which is 93.3% of Quilter Cheviot's overall AuM. There are holdings within our universe for which we are unable to provide climate data. This is usually where there is no International Securities Identification Number (ISIN) as the holding is not listed. This will include cash, financial instruments, unlisted companies and physical property and infrastructure.

We have limited our disclosure to centrally monitored holdings as these are within our purview. The other categories of holding are Investment Manager led and Other. We describe these in more detail later in the report.

The disclosures are mostly compliant with the TCFD Recommended Disclosures and additional guidance, except for full disclosure of Scope 3 emissions for investments.

Our product reports disclose the required metrics in line with the section 2.3 of the FCA's ESG Sourcebook and for 2024 these will be published by 30 June 2025.

Considering climate-related risks and opportunities is important to us because:

- It helps us meet our clients' evolving requirements and expectations.
- We recognise that climate risk is an investment risk.
- It is a regulatory requirement.

What are we doing?

As a business we broadly have the following emissions which we explain in more detail in our strategy section:

- The Group has set operational emissions' targets (covering Scope 1 & 2 emissions) and these form part of the long-term incentive plan (LTIP) for our Executive Directors.
- 2.5% of the LTIP is linked to the emissions for the Group operations.
- We are developing and introducing supplier engagement programmes which will help inform the Group operational climate transition plan.
- For the investments we manage on behalf of our clients, no targets have been set. Our Climate Action Plan for investments will be published in early 2025.

Disclosure summary

The TCFD's recommendations, first launched in 2017, around the four themes of governance, strategy, risk management, and metrics and targets. Within these themes, there are 11 recommendations to support effective disclosure for all organisations. This report focuses on Quilter Cheviot's reporting in line with the TCFD recommendations and recommended disclosures. For information on Quilter plc **plc.quilter.com/tcfd/**. Where we refer to the Group report in this table, we have referenced the relevant pages.

Exclusion	Description	TCFD recommended disclosure	Our disclosure	Pages
Governance	Disclose the organisation's governance around climate-related risks and opportunities.	Describe the Board's oversight of climate-related risks and opportunities.	The Quilter Cheviot Board and the Governance, Audit and Risk Committee (GARC) provide oversight for climate-related risks and opportunities. The Board and the GARC review, challenge and approve the TCFD report.	**13**
		Describe management's role in assessing and managing climate-related risks and opportunities.	The TCFD Working Group is responsible for the identification and assessment of climate-related risks and opportunities. The group comprises representatives from Responsible Investment, Risk, Finance and Corporate Sustainability across Quilter, including Quilter Cheviot. The TCFD Steering Committee meets regularly to monitor and approve progress. The Executive Committee is responsible for reviewing, challenging and recommending the report for approval to the Board. The Investment Oversight Committee plays a significant role in integrating climate risks & opportunities into Quilter Cheviot's investment process and approving responsible investment policies. The Product Governance Forum oversees customer outcomes of products and strategies with specific climate risk or opportunity objectives. The High-Net-Worth Customer Committee ensures that client responsible investment preferences are being met through Quilter Cheviot's proposition.	**14-15**

Exclusion	Description	TCFD recommended disclosure	Our disclosure	Pages
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Quilter Cheviot's climate-related risks and opportunities relate to the investments it manages on behalf of clients; ensuring clients' responsible investment and climate-related preferences are met and that we mitigate greenwashing through our procedures and controls, as well as through training our colleagues.	**17-27**
		Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	We have outlined the climate-related risks and opportunities that we have identified over various time frames and their impact on both Quilter Cheviot and, where relevant, our clients. This year we refreshed our climate-related risks in line with the TCFD Guidance. We have described the impact climate change has had on our responsible investment strategy, and products and services. This report focuses solely on investments managed by Quilter Cheviot. Climate-related risks and opportunities are considered at a Group and subsidiary level to inform our management of these.	
		Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have undertaken and disclosed a quantitative investment climate-related scenario analysis based on three different scenarios. This is based on actual holdings and will be undertaken on an annual basis. A qualitative scenario analysis was undertaken across the Group, and this may be found on pages 26-27 of the Group report which is linked above.	

Exclusion	Description	TCFD recommended disclosure	Our disclosure	Pages
Risk Management	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Describe the organisation's processes for identifying and assessing climate-related risks.	Within the Group report (pages 31-33) we described how climate-related risks have been integrated into our Risk Management Framework, with responsible investment and corporate sustainability incorporated into a refreshed risk taxonomy.	**29-46**
		Describe the organisation's processes for managing climate-related risks.	We have outlined our approach to managing climate-related risks through our active ownership agenda (our engagement and voting activity) as well as through the integration of ESG factors within our investment decision making.	
		Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	We have described how we use data to identify climate-related risks within our investment process.	

Please refer to the glossary for an explanation of key terms used in this report.

Exclusion	Description	TCFD recommended disclosure	Our disclosure	Pages
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate- related risks and opportunities where such information is material.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	We have disclosed the emissions relating to holdings within Quilter Cheviot's centrally monitored universe. Within the product reports we have disclosed the Scope 1, 2 and 3 emissions, Weighted Average Carbon Intensity (WACI), Climate Value at Risk (CVaR) and Implied Temperature Rise (ITR) for the relevant strategy. For information on how we manage the operational activities please refer to pages 46-48 of the Group report referenced above.	**48-49**
		Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	For information on Scope 1, 2 and 3 emissions relating to our operations please refer to pages 46-48 of the Group report. For Scope 3 emissions relating to Quilter Cheviot's centrally monitored holdings please refer to page 50 of the Group report.	
		Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	For our operational emissions, we have set a climate reduction target at group level. Further information on our group operational emissions can be found in the Quilter plc TCFD report pages 46-48. We have not set an aggregate entity level target for our total assets under management as a significant proportion of our investments are held in third-party funds, and not all asset classes have relevant available data, leading to gaps in the data that we need to produce accurate Scope 3 emissions. For our discretionary clients, we take our clients' responsible investment preferences into account when making investments on their behalf; these may include climate-related risks and opportunities. In early 2025 we will publish the Climate Action Plan for the Investments we manage on behalf of our clients which will set out the climate related targets for our portfolios.	

We are fully consistent with TCFD recommendations bar the Metrics and Targets pillar where we are partially consistent as we have not disclosed all our financed emissions.

Please refer to the glossary for an explanation of key terms used in this report.

Governance

Accountability for the oversight and management of climate-related risks and opportunities is held by a number of senior leaders and facilitated through a clear management and Board governance framework.

Quilter Cheviot's oversight of climate-related risks and opportunities

Board Committee	Climate-related responsibilities	Activity in 2024
Quilter Cheviot Limited Board	The Board is accountable for the long-term success of the Company. The Board oversees implementation of strategic priorities set by the Quilter plc Board, as they apply to the Company, including those in relation to responsible investment. The Board actively discusses and considers climate-related risks and opportunities as part of discharging its responsibilities.	• Reviewed and challenged the entity level and TCFD product reports. • Considered the increasing focus on ESG and the business' capabilities in this area. • Reviewed and approved the Internal Capital Adequacy and Risk Assessment (ICARA) Operational Risk Capital Assessment paper that considered climate-related disclosures. • Received regular investment performance reports that included details of responsible and sustainable investment portfolios.
Governance, Audit and Risk Committee	Oversees the principles, policies and practices adopted in the preparation of the financial statements of the Group and assesses whether annual financial statements comply with statutory requirements including TCFD disclosures. Oversees the management of climate related risks associated with environmental, social and governance (ESG) risks, reviewing management's risk recommendations and providing challenge and guidance on the structure and implementation of the Group's Risk Management Framework as it applies to Quilter Cheviot Limited.	• Reviewed and challenged disclosures in the entity level and TCFD product reports. • Received updates on the ESG risks facing Quilter Cheviot, with a particular focus on greenwashing and climate-related risks. • Received an update on regulatory horizon reporting, covering both TCFD and SDR (Sustainability Disclosure Requirements).

For information regarding the Group Board and management's oversight please refer to pages 10-14 of the report **plc.quilter.com/tcfd/**

Management's role regarding climate-related risks and opportunities

Management body	Climate-related responsibilities	Activity in 2024
Investment Oversight Committee (IOC)	The role of this Committee is principally to agree and set the broad principles of Quilter Cheviot's investment process policy, implementation of the oversight of the process, and monitoring client outcomes across our direct client, intermediary and fund business at a high level to ensure the process remains appropriate to achieve good customer outcomes. This includes reviewing and approving, where appropriate, responsible investment related policies and processes.	• Reviewed and approved the six-monthly reporting on comparison of core strategies in regards climate-related metrics. • Reviewed and approved the quarterly responsible investment engagement and voting disclosure report. • Responsible investment is a standing item on the agenda and the committee receives updates at each monthly meeting.
Product Governance Forum (PGF)	Amongst the Committee's responsibilities it: Ensures compliance with the PROD rules and that they are considered throughout the life cycle of the in-scope products or services so that client outcomes are properly considered in: • the approval of new products, services or strategies, • changes to existing products or services but excludes the changes to the investment content of a strategy or model, and • the closure of a service or product. Regularly reviews the outcome and cost of QC products and services and the distribution of products against their intended target market. From a climate-risk perspective this focuses on products and strategies that have specific responsible or sustainable investment objectives as well as outcomes.	• Implemented the enhanced oversight process for strategies that are aligned with the focused and dedicated client responsible investment preferences.

Management body	Climate-related responsibilities	Activity in 2024
High Net Worth Customer Committee (HCC)	Amongst the Committee's responsibilities it: Assesses, considers, reviews, challenges, and requests client-related management information on HNW's approach to clients in line with Quilter's customer strategy at the HNW level. Additionally, it oversees operational matters that are relevant to HNW's performance in meeting the Consumer Duty. From a climate-risk perspective this focuses on ensuring that client responsible investment preferences are being met through Quilter Cheviot's proposition.	• Work progressed on the monitoring and evaluation of client responsible investment preferences to understand trends relating to client types and future proposition developments. • Greenwashing related complaints will be included in reporting to the committee from Q1 2025.

Resources

Our responsible investment team reports to the Chief Executive Officer of Quilter Cheviot and is led by Gemma Woodward, Head of Responsible Investment and comprises six colleagues, including a climate specialist. The team is responsible for engaging alongside our research analyst teams* on ESG matters including climate risks and opportunities. For more information on our approach to stewardship and specific examples of how we engage with investees on climate related matters, please visit **Responsible Investment | Quilter Cheviot**.

The responsible investment team has representation on several internal committees and forums including the Investment Oversight Committee, Product Governance Forum, the UK and International Stock Committees as well as model groups for strategies within our engaged and dedicated categories.

Our funds and segregated portfolios that have a specific investment focus on sustainable solutions are managed by a dedicated investment team of five investment professionals, led by Claudia Quiroz (Head of Sustainable Investment) and Caroline Langley (Investment Director).

*Quilter Cheviot's centrally monitored holdings as well as UK holdings where more than 0.2% of market capital or £2 million is owned on behalf of discretionary clients.

Strategy

The climate-related risks and opportunities we are exposed to and the impact of climate-related issues on our business and strategy.

Our timeline

Over a number of years, we have evolved our approach to being a responsible investor.

Quilter has continued to be a signatory to the UK Stewardship Code since 2020, and to the PRI since 2019.

2017

- Quilter Cheviot attained Tier 1 signatory status for the 2012 UK Stewardship Code

2018

2019

- Quilter became a signatory to the United Nations-backed Principles for Responsible Investment (PRI).
- Responsible investment representation on the Quilter Cheviot Investment Oversight Committee

2020

2021

- Quilter became a signatory to the 2020 UK Stewardship Code
- Quilter joined the Institutional Investors Group on Climate Change (IIGCC)
- Quilter signed the Investor Agenda's Global Investor Statement on the Climate Crisis
- Quilter Cheviot intitiated thematic engagement program assessing climate transition planning among heaviest emitters in direct equity investment universe
- Quilter published a statement supporting the goals of the Paris Agreement
- Developed Quilter Cheviot voting policy on climate change-related issues
- Quilter set Scope 1 and 2 targets relating to its operational emissions target

2022

- Quilter published its first disclosures aligned to TCFD for 2021
- Responsible investment preferences incorporated within the advice and suitablility processes across the Group
- Climate Assets Growth Fund was launched, 12 years after the Balanced fund (Quilter Cheviot)
- Quilter Cheviot participation in the CDP campaigns focused on encouraging target companies to disclose climate and other related data and to join the Science Based Targets Initiative (SBTi)

2023

- Quilter Cheviot participation in the IIGCC Net Zero Engagement Initiative, Climate Action 100+, Nature Action 100
- Quilter Cheviot initiated engagement program assessing third-party fund alignment to firm's Net Zero Asset Managers (NZAM) commitments
- Quilter Cheviot participation in the CDP campaigns focused on encouraging target companies to disclose climate and other related data and to join the Science Based Targets Initiative (SBTi)

2024

- Quilter Cheviot participation in PRI Spring collaboration
- Quilter Cheviot enhanced climate-related voting policy
- Quilter Cheviot joined Wealth Managers for Climate and the IIGCC External Fund Manager Working Group
- Quilter Cheviot representation on the Advisers' Sustainability Group

2025

- Quilter Cheviot publishes its Climate Action Plan for investments

Please refer to the glossary for an explanation of key terms used in this report.

Our emissions

For our operational emissions and targets we have chosen to report at group level rather than entity level. The entities within the Quilter group share resources and office space etc. it is therefore more logical and practical to measure our operational emissions and set targets as a group rather than individual entity. For more information on operational emissions please see pages 46-47 of the Group TCFD report **plc.quilter.com/tcfd/**

This report is focused on the emissions relating to the investments Quilter Cheviot manages on behalf of its clients. Climate-related targets have not been set for these investments as we are working on enhancing data quality and systems to launch our Climate Action Plan for investments in early 2025. However, we do assess our financed emissions in a number of different ways, which we will explain in further detail below.

In line with ESG2.1.7G, we have considered the TCFD's Guidance on Metrics, Target and Transition Plans in producing our TCFD entity report. We have included within this report actions we are taking to integrate climate risks and opportunities within our investment process and active ownership strategy. Additionally, we are in the process of developing our Climate Action Plan, which will be published in early 2025.

In its recent Policy Statement, the FCA set out its intentions to consult on new rules relating to the disclosure of transition plans for listed companies and we are now considering the guidance on transition plan disclosures for asset managers which will inform our Climate Action Plan. Whilst we have not yet published a standalone transition plan, we have considered the UK's commitment in the Climate Change Act 2008 (2050 Target Amendment) Order 2019 in developing our climate strategy and risk management. We welcome the recommendations of the Government's Transition Plan Taskforce (TPT) Framework published in 2023 and we intend to align our Climate Action Plan to this guidance.

Please refer to the glossary for an explanation of key terms used in this report.

Climate-related risks and opportunities

Time Horizons

In 2024, as part of our risk assessment review, we updated the time horizons on which we consider climate related risks to align with our strategic planning process and our operational risk assessment methodology. The time horizons that we consider for climate related risks are as follows:

Time horizon	Time period	Description
Short-term	0-3 years	Risks that have the potential to impact within the next three years and are considered as part of strategic planning and risk management. In most cases short-term risks are ongoing in nature and will also be considered in longer term planning.
Medium-term	3-10 years	Risks which are not likely to impact in the next three years but are likely to develop and have a potential impact in the next ten years. We monitor developments annually and may move risks to the short-term category based on our assessment.
Long-term	10+ years	More uncertain risks, unlikely to impact in the next ten years and do not need to be considered as part of our immediate business planning. We monitor developments annually via our risk assessment workshops.

Climate Risks

The table below illustrates Quilter's assessment of climate-related risks that we believe, without mitigating action, have the potential to have a material impact on Quilter Cheviot. Our operational risk matrix is used to determine which climate-related risks could have a material impact and considers the severity of financial and non-financial impacts and the likelihood of occurrence over the short, medium and long-term.

The risk assessment approach is consistent with TCFD guidance. Risks have been categorised as transitional risks and physical risks. Transitional risks are risks which arise due to the transition to a lower carbon economy, which may entail extensive policy, legal, technology and market changes. Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns.

The risk assessment focuses on potential financial impacts to Quilter, and the strategies that we have adopted to mitigate risks.

Risks have been assessed relative to our climate strategy. Our climate strategy covers both our investment solutions and our business operations. Our risk assessment therefore also considers risks relating to both of these. For Quilter Cheviot we have included only the investment related risks. The Group TCFD report details these as well as those relating to our business operations.

Investment risks

Type of risk	Risk Description	Potential impacts	Mitigating actions, controls, and monitoring	Time horizon
Policy and legal (Transitional)	**Emerging regulatory requirements** – Risk of changes in climate-related policies or regulation which have an adverse impact on Quilter's proposition or operations. This includes risk of non-compliance with regulatory requirements.	• Unbudgeted costs to implement systems and comply with new regulatory requirements. • Potential costs of inadvertent non-compliance due to volume of global regulation.	• Regulatory horizon scanning and engagement through regulatory consultation. • Membership and engagement with industry bodies such as the Institutional Investors Group on Climate Change (IIGCC), The Investing and Savings Alliance (TISA), and the Advisers' Sustainability Group (ASG). • Quilter Cheviot's active ownership agenda which includes collaborative and thematic engagement, as well as a voting policy with articulated expectations across environmental, social and governance factors.	Short term / Medium term
Market (Transitional and Physical)	**Portfolio climate risk** – Risk of investment market underperformance caused by a disorderly transition or physical climate related events.	• Potential for reduced market return for clients, resulting in reductions in the value of assets under management and revenues.	• Investment in diversified portfolios. • Consideration of climate risks and opportunities in investment research and due diligence. • Climate metrics used to monitor climate-risk exposure.	Short term / Medium term / Long term
Market (Transitional)	**Consumer sentiment/demand** – Risk that we fail to align our product offering with customers' responsible or sustainable investment preferences and general market demand for responsible and sustainable investment related mandates.	• Reduction in demand for Quilter Cheviot's products and services resulting in reduced revenues.	• Monitoring of client and adviser preferences as part of development of product strategy. • Integration of ESG factors into our investment processes. • Integration of responsible investment preferences into our financial advice and suitability processes.	Short term

Type of risk	Risk Description	Potential impacts	Mitigating actions, controls, and monitoring	Time horizon
Reputational (Transitional)	**Misrepresentation risk** – Risk that clients, advisers, and other stakeholders act on the basis of misleading or incorrect information relating to the environmental or sustainability attributes of our investment products and our business operations.	• Reduced demand for Quilter Cheviot's products and services due to damage to Quilter Cheviot's brand. • Potential cost of redress where clients have acted based on misleading or incorrect information.	• Management review and approval of published information. • Data validation for the calculation of climate metrics. • Greenwashing training for all staff, as well as targeted training for specific functions.	Short term / Medium term
Reputational (Transitional)	**Climate strategy risk** – Risk that the Quilter Cheviot's investment-related climate action plan is not perceived to be sufficient.	• Negative publicity leading to loss of existing or potential clients. • Reduction in market share resulting in loss of revenues over the long term. • Increased operational costs due to failure to transition to new technologies.	• Quilter Cheviot's climate action plan for investments. • Annual reporting on progress against climate action plans.	Short term

Climate opportunities

Type	Risk Description	Potential financial implications	Actions to capitalise
Products and Services	As we transition to a low-carbon climate resilient economy and younger generations enter the investment market, we expect an increase in demand for responsible and sustainable investment solutions.	This requires investment in resources and systems to deliver our responsible investment strategy and offer products aligned with customers' responsible or sustainable investment preferences. In the medium- to long-term we may see an increased market share and therefore revenue growth as we attract a wider range of customers and meet the increased demand for responsible and sustainable investment solutions.	• Continue to develop and deliver our responsible investment strategy and climate action plans. • Monitor consumer demand to ensure our responsible and sustainable product offering meets the needs of the market.
Markets	The transition presents investment opportunities and growth opportunities as companies enter new markets for sustainable products/services and generate additional revenue streams.	Potential for higher investment performance for clients in the long term through investment in new technologies and growing markets. Higher investment performance for clients would drive increased revenues to Quilter Cheviot.	• Continue to invest in assets that financially benefit from the transition to a low carbon, climate resilient economy. • Continue to engage with the companies and funds we invest in to monitor how they intend to capitalise on climate-related opportunities.

Our Scope 3 investment related emissions and product reports

Within the report (as well as within the Group TCFD report **plc.quilter.com/tcfd/**) we have disclosed some of the emissions relating to the investments we manage on behalf of our clients, namely the emissions from our centrally monitored universe (£27.5 billion of the total Assets under Management (AuM) of £29.5 billion; 93.2% of Quilter Cheviot's AuM). There are holdings within our universe for which we are unable to provide climate data. This is usually where there is no International Securities Identification Number (ISIN) as the holding is not listed. This will include cash, financial instruments, unlisted companies and physical property and infrastructure.

Within the product reports we have disclosed the following metrics for the relevant strategy and its benchmark:

- Scope 1, 2 and 3 emissions
- Carbon footprint
- Weighted Average Carbon Intensity (WACI)
- Climate Value at Risk (CVaR)
- Implied Temperature Rise (ITR)

We have also disclosed the industry group contribution to financed emissions for the equity and corporate bond holdings within the strategy and its benchmark.

These reports may be found here **TCFD at Quilter Cheviot | Quilter Cheviot**

For transparency, we have made the decision to publish CVaR values for all products as a significant proportion will have exposure to high-emitting sectors (e.g. energy and materials). We have chosen to include ITR values for all products because we consider this metric to be more easily understood, because the values explicitly reference the 1.5°C threshold set by the Paris Agreement. The Paris Agreement aims to limit the increase in global average temperature to 1.5°C above pre-industrial levels by 2100. It is a legally binding international agreement signed by 195 countries.

Following Consumer Duty testing, revisions were made to the product report's format.

We are working to disclose more of the financed emissions relating the investments we manage on behalf of our clients. There is a challenge for certain asset classes, particularly for alternatives, private investments and non-corporate bonds, where the data are often not available.

Identifying clients' responsible investment preferences

In 2022 across Quilter, we introduced responsible investment preferences within the advice and discretionary investment management businesses.

The investment managers within Quilter Cheviot (as well as the advisers within Quilter Cheviot Financial Planning) integrate a client's responsible investment preferences within the advice and suitability processes that they follow, enabling our clients to consider these preferences alongside risk and desired investment returns. This enables our clients to invest in line with their values and needs.

Every client has their own requirements around risk appetite, ability to bear loss, income requirements as well as the investment time horizon. These are the key areas that will determine what is the right investment approach for the client.

Please refer to the glossary for an explanation of key terms used in this report.

Assets under management with specific responsible or sustainable investment related mandates

Through the advice and suitability processes outlined above we are beginning to formally identify clients' responsible investment preferences. We are able to track this through the allocation of capital to the products and strategies we have designed that have responsible or sustainable investment related mandates, as outlined below:

Strategy / product	Mandate	AuM £m as at 31/12/2024
Discretionary Portfolio Service (DPS) Applied	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 to ensure more emphasis is placed on ESG risks beyond the firmwide approach to active ownership and ESG integration. The strategies invest directly in UK, US and European equities. The strategy avoids any direct exposure to fossil fuel producers.	62
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.	42
Climate Assets Funds	Through an actively managed multi-asset approach, these funds are suitable for clients who want to support the development of sustainable societies by focusing on investment opportunities in the areas of Clean Energy, Food, Health & Well-Being, Resource Efficiency, and Water. Ethical exclusions are also applied to avoid investments in controversial sectors.	422

Example: Climate Assets Funds and related segregated portfolios which are managed in line with a sustainable investment mandate:

1. Quilter Cheviot's research team identifies attractive investments based on in-depth analysis, face-to-face meetings with company management and detailed due diligence.
2. Our analysts undertake qualitative analysis of the challenges and opportunities associated with environmental, social and governance (ESG) factors, and overlay this with quantitative data analysis.
3. Data are sourced from multiple external providers and presented within sector specific dashboards to highlight the most important factors.
4. The Sustainable Investment team reviews analyst approved investments and assesses the extent to which the company contributes to one or more of the five positive investment themes and the UN Sustainable Development Goals (SDGs).
5. The team also check the exclusions are met by screening potential investments against the negative criteria using the services of a third-party research provider, Ethical Screening.

Climate Value at Risk (CVaR)

This aims to estimate the potential financial loss or gain from the underlying investments as a result of climate change. It measures the potential impact of climate policy (new regulations at national and international level impacting carbon activities), technology opportunities (increased demand for energy efficient, lower-carbon products and services that disrupt existing markets); and physical risks (such as temperature increase, sea level rise, and associated business interruption and damage across operations and supply chains).

The centrally monitored holdings* were evaluated for CVaR using the MSCI climate data under these three quantitative climate scenarios.

1. An orderly transition scenario that assumes climate policies are introduced early and become gradually more stringent, limiting the global temperature increase to 1.5°C by 2100.
2. An orderly transition scenario that limits the increase to 2°C by 2100.
3. A 'hot house world' scenario that assumes that climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming and the global temperature increases to 3°C by 2100.

These scenarios were created by the Network for Greening the Financial System (NGFS). Each scenario makes different assumptions about how climate policy, physical climate events and the development of climate-related technology will impact the economy and therefore the value of our holdings. CVaR is presented as the percentage change in our holdings' value, for each individual category (policy, technology, physical impacts) and in aggregate.

The results presented in this report are derived from newly developed models, which may possess a high degree of uncertainty and require cautious interpretation. Climate risk quantification using CVaR (Climate Value at Risk) is a relatively new practice, and the firm is aware of the discourse around the limitations of these models. Consequently, the results should be regarded as preliminary indicators rather than definitive conclusions. They are intended as a tool to provide a high-level overview of various risk sources within portfolios. The business will continue to assess and refine the use of these methodologies going forward.

*There are holdings within our universe for which we are unable to provide climate data. This is usually where there is no International Securities Identification Number (ISIN) as the holding is not listed. This will include cash, financial instruments, unlisted companies and physical property and infrastructure.

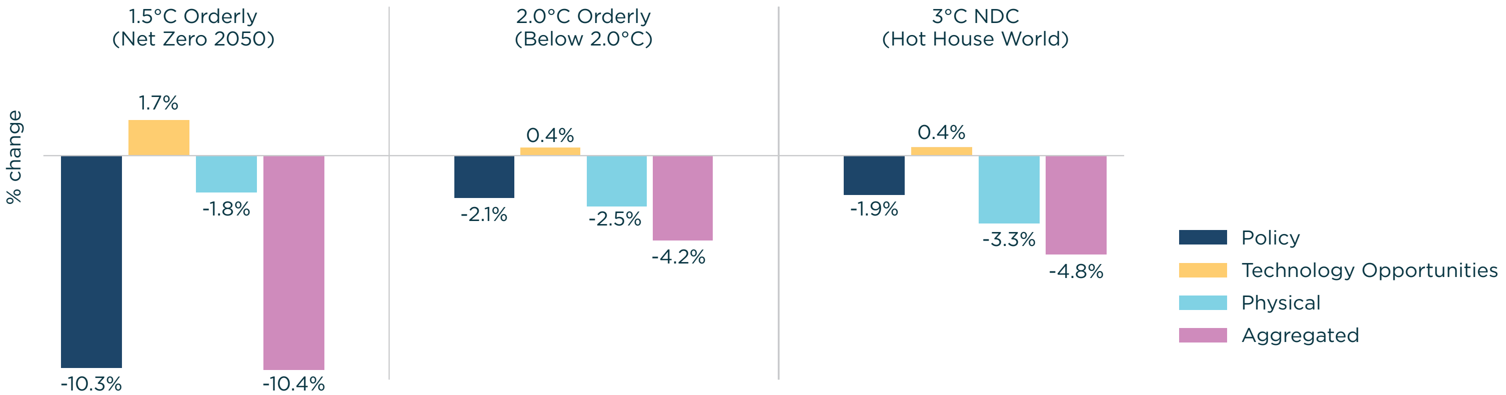
CVaR for centrally monitored holdings

For more information on our centrally monitored holdings please refer to the metrics section of this report.

The 1.5°C scenario would impact the value of the holdings more significantly than the other scenarios, where there is more limited economic change. To mitigate the potential impact, our focus is on engagement with the companies we invest in through different avenues:

- Collaborative engagements such as Climate Action 100+, Institutional Investors Group on Climate Change's Net Zero Engagement Initiative, Wealth Managers on Climate, IIGCC External Managers Working Group, Nature Action 100, PRI Spring, as well as the CDP Science Based Targets and Non-Disclosure Campaigns.
- Engagement programmes focused on the highest emitting companies within our centrally monitored universe as well as with the third-party managers that we invest with.

For further information please see the risk management section of this report.



Source: Quilter Cheviot holdings data as of 31 December 2024. MSCI data as of 31 January 2025.
The data used to inform these values was sourced from MSCI. We understand that due to MSCI's data refresh cycle, some of the emissions data (specifically Scope 1 and 2) may date from FY2021.

Climate Metric	CVaR - Policy	CVaR - Technology Opportunities	CVaR - Physical
Data Coverage	90.2%	81.7%	89.2%

Risk management

How we identify, assess, and manage climate-related risks through:

- *Our approach to active ownership and the integration of ESG factors into our investment process.*
- *The training and education we provide to colleagues.*
- *The governance and oversight structures we have in place, as well as insights from our clients.*
- *The identification of client responsible investment preferences through suitability and advice processes.*

Climate risks within our investments

The Risk Management Framework is used across the Group and therefore there are no material deviations to the overall risk framework at entity or Group level. For more information on our Risk Management Framework and taxonomy, please see pages 31-33 of the Quilter TCFD Group report **plc.quilter.com/tcfd/**

The Responsible Investment team identifies climate-related risks and opportunities, making assessments using inputs from external data providers, company reports and collection of information from third-party fund providers. The research teams use these assessments as part of the investment process. Climate factors are core inputs into internal assessment tools such as the equity industry group dashboards. The dashboards are comprised of multiple data feeds related to environmental, social and governance information deemed to be material by the Sustainability Accounting Standards Board (SASB). Some clients will also have specific climate related exclusions that Investment Managers will monitor and implement. The Investment Risk function monitors a client's investments to ensure they are in alignment with the client's responsible investment preference and any specific exclusions they might have.

This is supported by the management committees and forums we have in place (see Governance section) as well as responsible investment representation on the UK and International Stock committees as well as on model groups and committees for specific strategies.

Identification, assessment, and management of climate risks

The integration of ESG factors into our investment approach is an essential part of our climate risk identification process. We have used external data providers to aid the production of our equity ESG dashboards which highlight key climate data across our holdings and assist in identifying climate risks and opportunities. These tools are also used to assess climate risks on an ongoing basis.

Our Responsible Investment team regularly meets with companies and funds held in our portfolios and collaborates with research analysts to identify and assess where climate risks are not being adequately managed. Part of this process is regularly monitoring emissions exposure to underlying holdings using information from external data providers, NGOs and company annual reports. Like many global investors our emissions exposure is highly concentrated among a handful of companies in several industry groups. Assessment of material emissions exposure and the appropriate assignment of resources in critical areas is an important aspect of climate risk assessment. Our approach to managing climate risks is centred around our active ownership and engagement strategy rather than divestment, we encourage companies and funds to disclose climate information and refine their approach to climate strategy and transition plans.

The Responsible Investment team undertakes thematic engagements with holdings which may result in the identification of new climate-related risks. This includes focused engagement with third-party fund managers on how they integrate climate data and use company engagement to manage climate risk exposure. These fund engagements have included direct dialogue with heavy emitting companies in third-party fund manager portfolios, facilitated by the fund manager.

Thematic priority: 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*.

SDG Alignment: 7 Affordable and Clean Energy, 13 Climate Action, 15 Life on Land

*United Nations

Our responsible investment approach and climate-related risks

Overview of our responsible investment approach across discretionary holdings at Quilter Cheviot. This applies to centrally monitored holdings only.

Stewardship

Our approach can be broken down into two main activities:

Engagement

We are active owners on behalf of our discretionary clients. We initiate dialogue with companies (including investment trusts) and funds. Engagement can be carried out in reaction to concerns or to better understand a company's approach to material sustainability issues. We engage to better understand and manage individual company and fund related risks but also to contribute to the better functioning of markets in which we operate.

Voting

We use our voting rights to express formal approval or disapproval of the way investee companies or investment trusts are managing risks and opportunities. As well as being a core aspect of being an active owner, it is an important escalation tool in our stewardship process. In addition to our discretionary portfolio service voting (and engagement) coverage includes*:

- MPS (Managed Portfolio Service) Building Blocks
- Climate Assets Balanced Fund and Climate Assets Growth Fund
- Quilter Cheviot Global Income and Growth Fund for Charities
- Quilter Investors Ethical Fund
- AIM Portfolio Service
- Quilter Investors ICAV Funds
- Libero Balanced

ESG Integration

- Analysing ESG data to better inform investment decisions
- ESG integration applies to holdings which are within the monitored research universe, focussing on our core list of equities, funds and fixed income holdings.
- Our proprietary ESG data dashboards leverage multiple data providers including MSCI, ISS, Sustainalytics, Ethical Screening, RepRisk, LSEG Refinitiv, CDP and other NGO data.
- Working alongside the research teams to continually enhance our ESG integration approach. This is part of our investment process.
- It is not about excluding certain activities, but it is understanding the ESG related challenges and opportunities.

ESG Screening

Ethical and value oriented investment based on customer requirements is incorporated on an individual customer 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 sectors, industries, or individual companies.

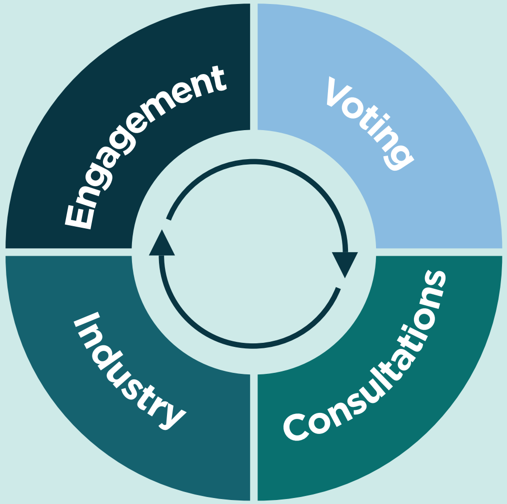
* This includes our global equity and investment trust monitored lists; as well as holdings in the AIM Portfolio Service and UK holdings where we own more than 0.2% or £2 million of the market cap, as far as reasonably possible given the local regulations regarding share voting. Notably, we do not vote where it results in the blocking of trading positions. We also do not currently vote on discretionary holdings (within the global equity and investment trust monitored lists) where we do not have the power of attorney in place. These markets being Switzerland, Sweden, Belgium, Norway. Other infrequent instances of non-vote placement may include where Crest Depositary Interests (CDIs), ADRs or GDRs are held. Ability to vote on these holdings differs on a case-by-case basis.

Being an active owner

Collaborations

Thematic

Business as usual



In conjunction with the relevant analyst

Informed by our Proxy Advisor but decision is ours

Active members of industry body committees and working groups

Quilter and industry responses to FCA consultations

Best practice stewardship is not about single company or fund 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 have representation on industry group's responsible and 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 including 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.

Please refer to the glossary for an explanation of key terms used in this report.

An overview of thematic and collaborative engagements

These are our current and ongoing engagements focused on climate-related risks and opportunities.

Thematic engagements

Taking the temperature: What does a good climate transition plan look like?

Phase 1 – 2021/22
Phase 2 – 2023/24

Slipping through the net? Third party managers and net zero ambitions

Phase 1 - 2023/24

The elephant in the room: the exodus of US managers from Climate Action 100+

2024

Collaborations

A proud participant of: Climate Action 100+

Part of Climate Action 100+

2023 onwards

IIGCC The Institutional Investors Group on Climate Change

Part of the IIGCC Net Zero Engagement Initiative

2023 onwards

External Managers Working Group
2024 onwards

Wealth Managers on Climate
2024 onwards

CDP SBTi Campaign
2022 onwards

CDP INVESTOR SIGNATORY

Please refer to the glossary for an explanation of key terms used in this report.

Climate-related risk thematic engagements

Taking the temperature: What does a good climate transition plan look like?

We concluded the second phase of our ongoing engagement program on climate disclosure and transition planning with the largest emitters among our direct equity holdings. This systematic engagement process supports Quilter Cheviot's Climate Action Plan (to be released in 2025) and is conducted on a 24-month cycle. We initiated this program in 2021 and the first phase was very much engagement for information. This second iteration aims to assess progress against previously stated plans, assessing the quality of transitions plans and whether investee companies are taking (or not taking) appropriate measures to align with a future lower carbon economy.

Outcome: heading into the second half of 2024 we implemented a revised cross industry checklist to evaluate company alignment to net zero and progress against targets. This more advanced assessment will enable better benchmarking of investee company transition performance as we move into a critical period for preventing the most severe effects of climate change. The criteria include:

- **a clear vision**: clear timeline of planned climate transition actions between now and medium-term targets, up through 2040. We would like to see companies clearly committing resources towards achieving decarbonisation targets now, rather than deferring. This can include internal case studies / research into climate solutions and cross-industry collaborations
- **shared emissions**: systemic, integrated approach to addressing Scope 3 emissions. This should include a comprehensive inventory as much as possible, and effective targets to address efforts to decarbonise. Targets should include supplier outreach and collaboration across a company's sector, particularly for challenging, carbon-intensive end products (e.g. steel, aluminium)
- **evidenced effort**: demonstrable progress on decarbonisation targets – preferably with quantified progress (i.e. GHG emissions reduced) and attributed to specific actions in annual reporting.

The largest emitters within our direct equity holdings

	Clear Vision			Collaborative Approach			Evidenced Effort	
	Emissions disclosed	Robust targets in place	A clear trajectory	Scope 3 target	Articulated supply chain trategy	Cross-industry collaborations	Reported progress towards goals	Quantified and demonstrable examples
Anglo American	Green	Green	Green	Amber	Green	Green	Green	Green
Rio Tinto	Green	Amber	Green	Red	Green	Green	Green	Green
CRH	Green	Green	Amber	Green	Amber	Green	Green	Amber
DS Smith	Green	Green	Red	Green	Green	Green	Green	Green
Linde	Green	Green	Red	Red	Red	Green	Green	Amber
BP	Green	Green	Amber	Amber	Red	Green	Green	Green
Chevron	Amber	Red	Red	Amber	Red	Amber	Amber	Red
Exxon	Amber	Red	Red	Red	Red	Amber	Red	Red
Shell	Amber	Amber	Red	Red	Red	Green	Amber	Green
Total	Green	Green	Green	Green	Amber	Green	Green	Green
SSE	Green	Green	Green	Green	Green	Green	Green	Green
National Grid	Green	Green	Green	Green	Amber	Green	Green	Amber

Key
- Green indicates a company satisfied the criteria clearly.
- Amber indicates the company satisfied the requirement but could improve relative to peers.
- Red indicates a company did not satisfy these criteria.

Taking the temperature: What does a good climate transition plan look like?

Further outcomes of the engagement

In 2023, annual average global temperatures reached 1.5 degrees over pre-industrial levels for the first time, serving as a reminder that the pathway to 'Net Zero' emissions, and preventing this type of increase worsening, requires a rapid and radical transformation of the economy. We will continue to engage with the highest emitters within our centrally monitored universe on how they are preparing and contributing to this transition in order to assess their exposure to the risks and opportunities being presented. We have found that companies and industries are in many cases putting forward detailed plans on not only the GHG reduction targets they aim to meet but details on how these aims will be implemented. The next few years will be critical in assessing the performance of these companies moving from planning to execution.

The notable exceptions to this positive trend are oil & gas companies. In the US we have seen little progress in the development and sophistication of climate transition plans over the past two years. European oil majors are starting from a stronger base, with more comprehensive operational carbon reduction strategies and a continued pursuit of opportunities in low carbon business activities. Broadly speaking, interest in these new revenue streams has become more focused on convenience services and hydrogen production and away from renewable energy generation. Pressures to secure stable energy supplies and focus on traditional fossil fuel extraction strengths has led to a backslide in carbon reduction commitments and stalled progress in building out more comprehensive climate transition strategies. While, for now, European oil & gas companies continue to commit significant capital expenditure to diversifying revenue streams, it is still unclear how these low carbon activities will displace traditional activities in a net zero world.

We will continue to monitor the performance of our high emitting investee companies and engage to outline expectations for better management and disclosure of climate transition risk. We will leverage individual engagement activity as well as our participation in collaborative engagement groups such as Climate Action 100+ and the Net Zero Engagement Initiative. We will also continue to request a regular shareholder say on climate transition strategies and vote against management where we find progress lacking. In 2024 we voted against management resolutions and supported shareholder resolutions at the AGMs of Shell, Exxon, Chevron and Conoco Phillips.

Slipping through the net? Third party managers and net zero ambitions

Our approach

We were interested in understanding how firms approach and implement their NZAM targets, from a strategic level, down through to management of individual funds. Where firms had specified funds that were part of its NZAM target we felt that including individual fund managers in our conversations was a helpful insight, to assess how the firm's NZAM targets affected them (or did not). For seven of the 20 firms we engaged with, individual fund managers were part of that discussion.

Following our engagements, we assessed firms' responses against our climate alignment criteria, and assigned scores accordingly. The criteria were deliberately weighted towards rewarding the Strategy and Engagement components of firms' NZAM commitments. We were interested in understanding:

1. how thoroughly a firm interrogated alignment feasibility before setting targets
2. whether they had a clear strategy for achieving their targets
3. how integrated this target was in the management of individual funds QC is invested in.

Outcomes: Translating firm-level to fund-level

Several themes came out of our discussions. The first and perhaps most salient: the most common approach to net zero alignment made discerning fund-level alignment very challenging. Most firms we spoke with had chosen to align their committed assets by asset class rather than by fund. Where a firm's commitment applied to all of its listed equities, for instance, it would mean that only the proportion of the fund made up of listed equities (say, 45%) would be considered committed to aligning. This approach makes it impossible for those invested in third-party funds to neatly categorise their investments as either committed to net zero or not.

Example: Tale of two tracks: comparison of fund-level versus. asset class alignment: Firms tend to structure their net zero commitments within their assets in two ways: by asset class or by fund. The more common approach among the firms we met with was asset class-alignment within a sub-set of its universe (usually segregated mandates, or those with sustainability mandates; or the assets of a parent company asset owner). Many firms chose this approach for its ease – its targets focus on ring-fenced portions of its universe and only apply to those asset classes with well-established alignment methodologies. This approach also neatly avoids the fraught issue of appropriate exercise of firms' fiduciary duty: by only choosing to align portfolios which are either owned by the firm or those with explicit mandates in place.

Although straight-forward in these ways, this approach complicates how these targets apply to clients' investments. Because only portions of individual funds or portfolios are included, it is a more complex, nuanced answer to the question 'Are my investments included in the firm's net zero target?'

The less common approach is to set 'whole-of-portfolio' targets, where entire funds (all assets) are included in the firm's targets. Although both methods require fund managers' support in delivering the targets, when entire portfolios are included in a firm's targets firms typically expend more effort obtaining explicit agreement from fund managers. Despite this, this approach has the obvious benefits of simplicity. This extends to firms' ability to clearly report progress against their targets – whole-of-fund targets present more clearly.

Thematic priority: natural capital

Natural capital can be defined as the stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits and ecosystem services to society*. The purpose is to understand the impact that companies have on the natural world including water, deforestation and biodiversity.

SDG Alignment: 6 Clean Water and Sanitation, 12 Responsible Consumption and Production, 14 Life Below Water, 15 Life on Land.

*Task-Force on Nature-related Financial Disclosures

Natural capital

The management of nature related impacts and dependencies will be essential in meeting global aims to transition to a lower carbon economy. Monitoring how investee companies are managing these risks through our stewardship approach will be an important aspect of Quilter Cheviot's Climate Action Plan.

Thematic engagements

Woods for the Trees: how companies are responding to EU Deforestation Regulation

2024

Collaborations

Nature Action 100

Nature Action 100

2023 onwards

spring
A PRI stewardship initiative for nature

PRI Spring

2024 onwards

Collaborative engagements: climate-related risks

Climate Action 100+

In December 2023 Quilter Cheviot joined Climate Action 100+ as an investor participant. Climate Action 100+ is an investor led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Being an active participant in collaborative engagement initiatives is an important element of our overall stewardship agenda and we are pleased to be a member of the National Grid engagement working group.

Net Zero Engagement Initiative

The Net Zero Engagement Initiative aims to enable net zero portfolio alignment by supporting investor engagement and seeking the disclosures investors need from companies to determine if they are aligned with net zero. This engagement will therefore seek Net Zero Investment Framework (NZIF)-aligned transition plans from companies. We are part of the working groups for two target companies, Tesco and Siemens.

Nature Action 100

Quilter Cheviot joined Nature Action 100 (NA 100) at its founding in 2023 and is participating in the engagement group for Rio Tinto. The NA100 engagement focuses on developing best practice guidance for measuring and mitigating companies' impacts on nature and biodiversity. We have had several engagements with the company to date, which has been very receptive to the constructive feedback offered by investors as it works to develop a first-of-its-kind comprehensive nature and biodiversity programme for its mining operations. We are now meeting with the company on a quarterly basis and are building on the company's first assessment against the NA100 Benchmark which debuted in Q4 2024.

PRI Spring

The PRI's Spring initiative aims to reduce and reverse biodiversity loss globally, by focusing on companies with exposure to, and impact on, natural resources. We are an active participant in engagement groups with BHP and Reckitt Benckiser. The focus of this engagement is on reducing biodiversity loss, particularly through deforestation. The initiative focuses on companies with significant supply chain exposure to specific commodities frequently linked with nature loss, namely timber, minerals, latex, palm oil, cattle and paper products. We are preparing to engage with Reckitt Benckiser and joined the new group working with BHP in Q1 2025.

Wealth Managers for Climate Action

We are members of the Wealth Managers on Climate (WMC), a collection of UK wealth managers working together to support climate action in our investments. The group was convened as a forum specifically for wealth managers, which often have different operating constraints and opportunities to larger asset managers. The purpose of the group is for managers to effectively and collaboratively engage on sustainability-related topics, especially climate.

In November 2024 we, alongside several other members of the WMC, sent an open letter to all fund houses in our centrally monitored holdings itemising our climate expectations. The letter included specific examples of best practice and minimum standards for our third-party managers. Engagement with the recipients of the letter commenced in Q1 2025 to determine where each manager is meeting these expectations and identify areas for improvement.

IIGCC's External Fund Manager Working Group

Focused on climate alignment for third-party managers. There remain numerous challenges to aligning specific asset types, and collaborating with our peers to address these is crucial to closing these gaps in our climate strategies.

Please refer to the glossary for an explanation of key terms used in this report.

Climate-related risk voting activity

Within our voting principles **qc-responsible-investment-brochure-voting-policy.pdf (quiltercheviot.com)** we have guidance relating to how we will vote on climate-related issues.

Environment

We use our voting activities to fulfil our role as a steward of our clients' assets, working to protect and enhance long-term returns. Unaddressed climate risk poses a material risk to the future value of an asset, which is why climate is included in our voting policy. Our voting policy outlines several standard sector-agnostic expectations of our assets, as below. This policy aligns with our **climate expectations**, where we will hold companies to account if they do not meet these. This applies only to companies which are held directly by Quilter Cheviot, as we do not control the voting behaviour of the third-party funds we invest in; however, we will engage with them on this.

Transition plan: Where companies are responsible for materially significant emissions of carbon dioxide (or equivalent Green House Gases) we expect to see appropriate management of climate related financial risks and transition planning. Transition plans of investee holdings are a key tool for understanding the decarbonisation trajectories of our investment portfolios. We set the following expectations for company transition plans.

Targets

- Short-term (pre-2035), long-term (2035-2050).
- Inclusive of material emissions.
- Externally validated (i.e. by the Science Based Targets Initiative (SBTi)) where possible.

Disclosures

- Comprehensive emissions inventory (Scopes 1, 2 and 3), on a 'disclose or explain' basis.
- Report progress against targets at least annually.
- Climate risk scenario analysis in line with Task Force on Climate-Related Financial Disclosures (TCFD).

Decarbonisation strategy

- Strategy outlining primary drivers of emissions and key levers to facilitate emissions reductions. This should include a clear trajectory of decarbonisation over time.
- Supply chain decarbonisation strategy – where Scope 3 emissions are material. This should include details of supplier engagement programmes and other key levers to decarbonise the company's supply chain.

We may vote against members of the Board where the company is not meeting these expectations or is not making sufficient progress towards these goals.

Environment (continued)

Climate capability: We expect Boards to demonstrate capability in communications with investors and executive oversight. Where we feel this skill set is lacking, we may vote against the chair of the Nominations Committee.

Climate change disclosures: We may not support non-executive directors with sustainability responsibilities which operate in high impact sectors that have not made sufficient progress in providing investors with relevant climate disclosures (these include comprehensive emissions inventories, decarbonisation commitments and targets, and annual progress against targets as well as TCFD-aligned reporting).

Climate lobbying: We may not support the election of non-executive directors with sustainability responsibilities who have relationships with industry associations that oppose efforts to transition to a low carbon economy. We will typically support well-structured and relevant shareholder resolutions calling for further transparency on lobbying and industry group alignment reviews.

As companies' transition plans mature, it is important for shareholders to have the opportunity to review the company's progress. We would like to see more companies commit to discussing climate performance at AGMs: this may take the form of a non-binding vote or investor question to the company.

Natural capital: We will typically support any resolutions that improve efforts to disclose adverse impacts on natural capital, specifically in relation to:

- **Biodiversity**: better company-level disclosure on biodiversity impact management and mitigation.
- **Water risk**: enhanced transparency around water usage and encourage relevant companies with exposure to this risk to submit disclosures to the CDP Water framework.
- **Deforestation**: enhanced transparency on operations in high-risk areas and exposure to supply chains where deforestation is a material risk. We encourage relevant companies to submit disclosures to the CDP Forests framework.

ESG metrics in executive remuneration: We strongly support remuneration policies with the inclusion of relevant ESG metrics linked to variable pay (most notably carbon-reduction targets). We may not support remuneration policies that have not made sufficient progress in this area.

Examples of voting related activity

Climate related voting activity amongst the oil and gas majors remain high on the voting agenda. Similar to last year, this year's proxy season saw Quilter Cheviot place a significant number of votes against management at high carbon emitting companies. We aim to ensure consistency in our voting approach and will determine the voting action taken based on a company's performance in managing climate risks relative to its peers. 2024 saw the continuation of companies, notably Shell and BP pairing back their climate targets, and this year we escalated our voting action to express our disapproval. Alongside engagement, this forms a key part of our stewardship process.

Shell and BP form the first group of our oil and gas majors. Both companies have committed to and have taken steps to achieve their climate targets. However, in recent years, progress has slowed. At Shell's AGM, in light of the weakening in the robustness of a climate transition strategy (in the context of achieving net zero goals), we voted against the re-election of the chair and (in line with last year) against approving the company's energy transition strategy. We also supported the shareholder proposal requesting Shell to align its Scope 3 reduction targets to the Paris Climate Agreement. While we recognise the specificity of this request, greater clarity on how medium-term goals align with the aims of reaching net zero emissions by 2050 would be welcome. At BP, the company elected a new chair to the board, so in this instance we did not feel comfortable voting against the director but will monitor developments moving forward.

For US based oil and gas companies, which continue to lag European peers in terms of the energy transition targets or disclosures, we largely followed a similar voting pattern as 2023. At Chevron, Exxon and ConocoPhillips, we voted against re-electing the chair of the board or the lead independent director as all companies have failed to set net zero 2050 target that covers all of Scope 1 and 2 and relevant Scope 3 emissions.

When voting, we will not support shareholder resolutions where we believe the requirements are too specific, un-realistic or poorly structured – even if we are generally supportive of improvements in the company's climate-related disclosure.

Examples of voting related activity

In the busy proxy season we placed the following votes:

6x votes in favour of reporting on climate lobbying (shareholder proposal)

We supported these requests where we consider shareholders would benefit from greater transparency of the company's direct and indirect climate lobbying, and how the company plans to mitigate any risks that might be identified.

Companies voted on: American Express, Bank of America, Boeing, Meta, NextEra Energy, Wells Fargo

5x votes in favour of reporting on fossil fuel financing activities (shareholder proposal)

We believe shareholders would benefit from greater transparency on how financial institutions are addressing any misalignments between financing activities and greenhouse gas emissions reduction targets.

Companies voted on: Bank of America, Berkshire Hathaway, Goldman Sachs, Markel Group, Royal Bank of Canada

4x votes in favour of reporting on GHG emission reduction targets (shareholder proposal)

Where we felt the current disclosure level was lacking, we supported calls for additional disclosures on how companies are assessing and managing climate related risks. This will help us better understand how these companies are managing the transition to a lower carbon economy.

Companies voted on: Boeing, RTX, Shell (x2)

1x vote in favour of reporting on Just Transition (shareholder proposal)

We supported this request, filed at Amazon, as shareholders would benefit from additional disclosure on how the company considers human capital management in relation to the transition to a low-carbon economy.

Company voted on: Amazon.com

Please refer to the glossary for an explanation of key terms used in this report.

The integration of ESG factors into our investment process

Climate-related risks are one of the factors that we consider through our integration processes. We use multiple data providers to facilitate this.

External data provider	Purpose
Institutional Shareholder Services (ISS)	**To assist with our active ownership agenda as well as 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 dashboards.
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 ESG dashboards, as well as the high-level information provided in the company reports, as well as the carbon risk rating. This also 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 as well an additional ESG data source** Screening tool – employed at a portfolio level as well as an additional data source for the research teams to identify areas of exclusion as well as positive screening. SDG alignment - this data and analysis is used for the Climate Assets strategy to assess the extent to which companies' revenue generating activity aligns with one or more of the UN Sustainable Development Goals.

External data provider	Purpose
CDP (formerly known as the Carbon Disclosure Project)	**To provide data for ESG integration and for engagement** Equities: incorporating metrics from CDP's global disclosure system into the dashboards as well as providing data for engagements.
RepRisk	**To provide data for ESG integration and for engagement** We use this to identify and assess material ESG risks within our holdings.
Refinitiv (LSEG)	**To provide data for ESG integration and for engagement** We use LSEG ESG data which is available on the Refinitiv workstation as an input into the equity ESG dashboards.
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.

For our quantitative ESG integration approach for direct equities, we 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. Material ESG factors are sourced through various third-party data providers, annual reports, and publicly available sources on non-governmental (NGO) platforms such as CDP.

All dashboards have seven core datasets, and some will also have bespoke data. The core datasets included on all dashboards provide relevant insight for all industry groups and include:

- Climate GHG reduction targets.
- CDP climate disclosure scores.

For the third-party funds we invest in we use data gathered from our ESG RFI process (ESG Request for Information) to evaluate the fund's approach to managing climate-related risks. This as well as using quantitative independent data allows us to engage on various issues including high emitting holdings and the manager's approach to these.

Our dashboards are reviewed on a quarterly basis to identify areas of improvement, expand their capabilities and consider how we can incorporate new data and metrics as they become more widely available.

Training and education

Quilter Cheviot has developed the Responsible Investment Champions forum, and this is a regular session to deliver (amongst other outcomes) enhanced and more detailed training for client facing colleagues across our offices. Over 2024 we delivered nine sessions, and the subjects included a presentation of the TCFD product reports, as well as an overview of climate change.

The regular firm-wide updates are available to the whole firm and these focus on: ESG integration frameworks, voting and engagement activity, climate change, and specific investment strategies such as Climate Assets and Positive Change. Sessions are recorded so those unable to attend the event can watch at a later date. These events usually see attendance of over 150 colleagues.

Investment professionals within the business also attend the external educational and training events we hold for advisers and customers.

Anti-greenwashing

We undertook a further anti-greenwashing review applying the Sustainability Disclosure Requirements lens with the introduction of an anti-greenwashing checklist. Further role specific training, as well as firmwide training on anti-greenwashing was provided in 2024.

Governance, oversight, and insights

We have a number of activities in place to increase the focus on managing climate-related risks.

- Six-monthly reporting on comparison of core strategies' climate-related metrics to the Investment Oversight Committee (IOC). We began this process in 2022 and this allows the IOC to understand the divergences between different strategies which will have different exposures to fossil-fuels (in some cases, zero exposure) and which holdings or sectoral allocations are driving emissions. We find that using the Implied Temperature Rise metric is useful within this exercise, and hence we have included this within the product reports for our core strategies.
- Products or strategies that have specific responsible or sustainable investment related objectives (and in the case of the latter, outcomes) have specific oversight from the Product Governance Forum as well as model or committee groups to provide challenge.
- Since 2021 we have included responsible investment related questions within biennial client surveys. This information enables us to understand responsible investment trends within our client base which incorporates climate-related risks and opportunities.

Client preferences

In 2022 across Quilter, we introduced responsible investment preferences within the advice and discretionary investment management businesses. Quilter advisers and the investment managers within Quilter Cheviot integrate a client's responsible investment preferences within the advice and suitability processes that they follow, enabling our clients to consider these preferences alongside risk and desired investment returns. This enables our clients to invest in line with their values and needs. Every client has their own requirements around risk appetite, ability to bear loss, income requirements as well as the investment time horizon. These are the key areas that will determine what is the right investment approach for the client.

Client preferences allow us to better ensure that clients' requirements are matched to the appropriate strategy as well as identifying areas where there is demand for different strategies that we should consider introducing. With the introduction of the preferences, we categorise holdings in line with these to clearly identify which investments are permitted within each preference. To do so we have used quantitative and qualitative analysis to make these categorisations.

Metrics and targets

The metrics and targets we use to measure, monitor, and manage our exposure to climate-related risks and opportunities.

Emissions in our investments

As a discretionary investment manager there are three categories of holdings* split between direct and indirect (third-party funds). As at 31 December 2024, the AuM was £29.5 billion. The centrally monitored holdings are included in our emissions' calculations.

AuM by category

- Centrally monitored holdings £27.3 billion
- Investment manager led ideas £0.24 billion
- Other £0.78 billion

Centrally monitored holdings form the majority of Quilter Cheviot's holdings; these are investment ideas generated by the in-house research teams. Engagement, voting and ESG integration activities are focused primarily on these investments.

Investment manager led ideas are investments that are researched and monitored by investment managers. Quilter Cheviot will only engage or vote with these holdings where more than £2 million or 0.2% of a UK listed company is owned.

Other: a long tail of legacy holdings, which is a consequence of the nature of the client base. In some cases, the position will only be held by one client.

Investment Greenhouse Gas Emissions	As at 31/12/2024	Unit	Data coverage
Scope 1 and 2 Greenhouse Gas Emissions	1,621,405	tCO_2e	93.4%
Scope 3 Greenhouse Gas Emissions	12,097,948	tCO_2e	93.4%
Total carbon footprint (Scope 1 and 2 only)	53.6	tCO_2e/\$m invested	93.4%
Equities and corporate bonds Weighted Average Carbon Intensity (WACI) (Scope 1 and 2)	86.6	tCO_2e/\$m revenue	93.7%
Government bonds Weighted Average Carbon Intensity (Scope 1 and 2)	156.1	tCO_2e/\$m GDP	99.7%
Equities and corporate bonds Weighted Average Carbon Intensity (Scope 1, 2 and 3)	1,136.4	tCO_2e/\$m revenue	93.7%
Government bonds Weighted Average Carbon Intensity (Scope 1, 2 and 3)	249.2	tCO_2e/\$m GDP	99.7%

Source: Quilter Cheviot holdings data as of 31 December 2024. MSCI data as of 31 January 2025. The data used to inform these values was sourced from MSCI. We understand that due to MSCI's data refresh cycle, some of the emissions data (specifically Scope 1 and 2) may date from FY2021. We have not shown a benchmark comparison as the holdings within the centrally monitored universe have a significantly different composition to the MSCI All Country World Index. We have not shown last year's data as this was limited to centrally monitored equities which was 30.7% of Quilter Cheviot' total AuM and we have extended this coverage to 93.2% for 2024.

We use both reported and estimated data in our Scope 1 and 2 calculations. For Scope 3 emissions we follow Quilter Cheviot's climate data hierarchy regarding the use of reported and estimated emissions data. Our sovereign WACI calculations utilise sovereign emissions excluding land use, land use change and forestry (LULUCF). For further information please refer to the methodology document on our website.

There are holdings within our universe for which we are unable to provide climate data. This is usually where there is no International Securities Identification Number (ISIN) as the holding is not listed. This will include cash, financial instruments, unlisted companies and physical property and infrastructure.

*The data exclude client cash held across multiple currencies in client portfolios and does not include external platform managed assets which are not replicated on our in-house systems (£0.98 billion of the overall AuM) as well as £0.22 billion in externally held and administered positions in Quilter Cheviot managed funds.

Operational emissions are reported within the Quilter Group report **plc.quilter.com/tcfd/**

As stated previously, to mitigate the potential impact our focus is on engagement with the companies we invest in through different avenues:

- Collaborative engagements such as Climate Action 100+, Institutional Investors Group on Climate Change's Net Zero Engagement Initiative, Wealth Managers on Climate, IIGCC External Managers Working Group, Nature Action 100 and PRI Spring.
- Engagement programmes focused on the highest emitting companies within our centrally monitored universe as well as with the third-party managers that we invest with.

We will publish product reports for our core investment strategies by 30 June 2025, wherein we disclose the core metrics set out in the FCA's ESG Sourcebook. However, in line with the FCA rules, for our portfolios with a climate metric coverage below 50%, we have opted not to disclose this data as this would be potentially misleading and an inaccurate reflection of the portfolio's climate impact. We have considered the possibility of using assumptions to fill data gaps, however, given that assumptions would account for more than 50% of the portfolio, we believe the disclosure would be misleading and not decision useful. We continue to review the climate and emissions data available for the asset classes in which we invest, and we are working with our external data providers to improve data coverage and quality. Supported by enhanced regulatory disclosure requirements, we expect to be in a position to provide more accurate data in future reports. In addition, our Responsible Investment team regularly engage with our investees to encourage accurate and timely disclosure of climate data. The product reports may be found here: **TCFD at Quilter Cheviot | Quilter Cheviot**.

Climate-related metrics have not been set for these investments as we are working on enhancing data quality and systems to launch our Climate Action Plan for Investments in 2025. Within this Plan we intend to include further emissions metrics relating to the holdings we manage of behalf of our clients.

Glossary

Term	Definition
Active ownership	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. Also known as Stewardship.
AuM	Assets under management, which unless stated otherwise, reflects gross AuM before intra-group eliminations.
CO_2e	Stands for CO_2 equivalent. The emission of different GHGs warm the earth at different intensities. For example, releasing 1 tonne of methane into the atmosphere has a greater warming potential than releasing 1 tonne of CO_2. This metric is used to express the impact of each different GHG in terms of the amount of CO_2 that would create the same amount of warming so that the impacts of the different GHGs can be compared.
ESG	Environmental, Social and Governance.
ESG integration	ESG integration at Quilter is the explicit and systematic inclusion of ESG factors, including climate-related issues, in our investment analysis and decisions to better manage risks and improve returns.
FCA	Financial Conduct Authority.
FRC	Financial Reporting Council.
GHG	Greenhouse gas.
Greenhouse Gas Reporting Protocol	The GHG Protocol supplies the world's most widely used greenhouse gas accounting standards.
Greenwashing	Making misleading or unsubstantiated claims about environmental performance.
The Group	Quilter plc and its subsidiaries.
IIGCC	Institutional Investors Group on Climate Change.
Net Zero	Net zero refers to a state in which the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere.

Term	Definition
NGFS	The Network of Central Banks and Supervisors for Greening the Financial System. The NGFS is an industry group of central banks and supervisors which develops climate-related risk management resources for the finance sector. It worked in collaboration with a global academic consortium to develop a range of future scenarios that can be used to appropriately assess climate risks to economic and financial systems.
NZAM	The Net Zero Asset Manager's Initiative. The NZAM is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner.
PRI	The Principles for Responsible Investment. The PRI is an UN-supported network of investors, working to promote sustainable investments.
SBT	Science Based Targets.
SBTi	The Science Based Targets initiative. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. The SBTi drives ambitious climate action in the private sector by enabling companies to set science-based emissions reductions targets.
Scope 1 Emissions	The direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the company. Scope 1 emissions result from a company's internal operations, including on-site energy production, vehicle fleets, manufacturing operations, and waste. The values represent metric tonnes of CO_2 equivalent.
Scope 2 Emissions	The indirect greenhouse gas (GHG) emissions attributable to operations that are owned or controlled by the company. Scope 2 emissions result from the emissions generated in the production of energy (electricity, steam, heat, and cooling) that is purchased by a company generated upstream from the organisation. For purchased electricity, organisations are required to report Scope 2 emissions according to a 'location-based' and a 'market-based' method.
Scope 3 Emissions	These are all indirect emissions (not included in Scope 2) that occur in a company's value chain, including both upstream and downstream emissions (e.g., business travel, waste).
Sustainability	Whilst there is no single definition of 'sustainability', we use this term to refer to environmental, social or governance factors or concerns. Environmental concerns include climate and broader environmental issues, like biodiversity. Social factors range from modern slavery to international development. Governance refers to the way that companies are controlled and directed.

Term	Definition
Stewardship	Stewardship is 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.
TCFD	The Task Force on Climate-related Financial Disclosures. The Financial Stability Board created the TCFD to improve and increase reporting of climate-related information.
tCO_2e	Tonnes of CO_2 (carbon dioxide) equivalent.
The Three Lines of Defence	An organisational model aimed at providing a structured framework for managing risk and exercising control within an organisation. Within the model, the first line has primary responsibility for managing organisational risks. The second line comprises the Risk Management and Compliance functions to help build and monitor the first line of defence's controls. The third line provides independent risk assurance.
UK Stewardship Code	The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is 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.
Weighted Average Carbon Intensity (WACI)	A portfolio's exposure to carbon-intensive companies, expressed in tonnes CO_2e/$m revenue. This metric is recommended by the TCFD. Certain asset classes are excluded from the WACI calculation. Most significantly, these include government bonds, asset-backed securities, cash, foreign currencies, and derivatives.

Important information

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