

RESPONSIBLE INVESTMENT

# Stewardship priorities 2026

**Stewardship is a central pillar of Quilter Cheviot’s responsible investment approach.**

**Our engagement approach**

Engagement captures any interactions between the investor and current, or potential, investee companies on ESG (Environmental, Social, and Governance) issues and relevant strategies, with the goal of improving (or identifying the need to influence) ESG practices and/or improving ESG disclosures. It involves a structured process that includes dialogue and continuously monitoring companies. These interactions might be conducted individually or jointly with other investors.

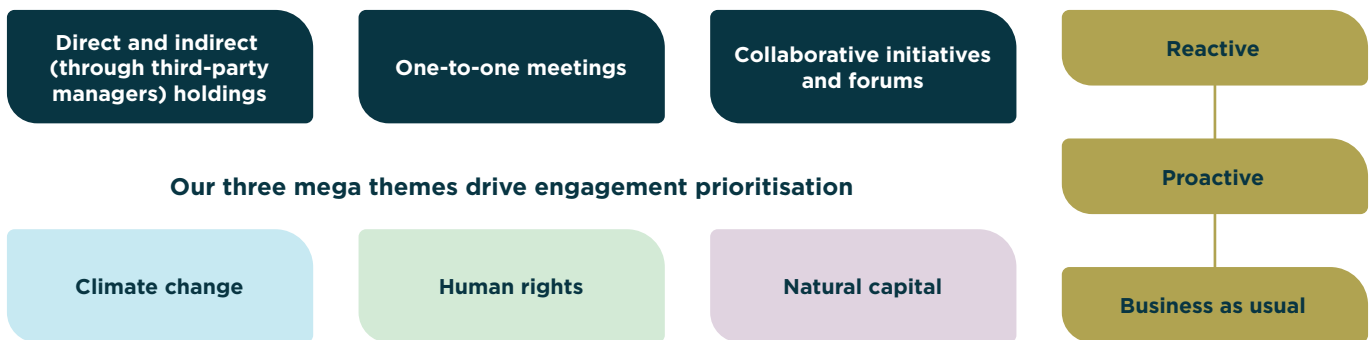
**UN backed Principles for Responsible Investment**

By engagement, we mean speaking directly to companies (including investment trusts) and funds about the issues that concern us and understanding their general approach to material ESG issues. This can be at board, executive or manager level.

For more information on engagement please read our **Engagement Policy**.

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

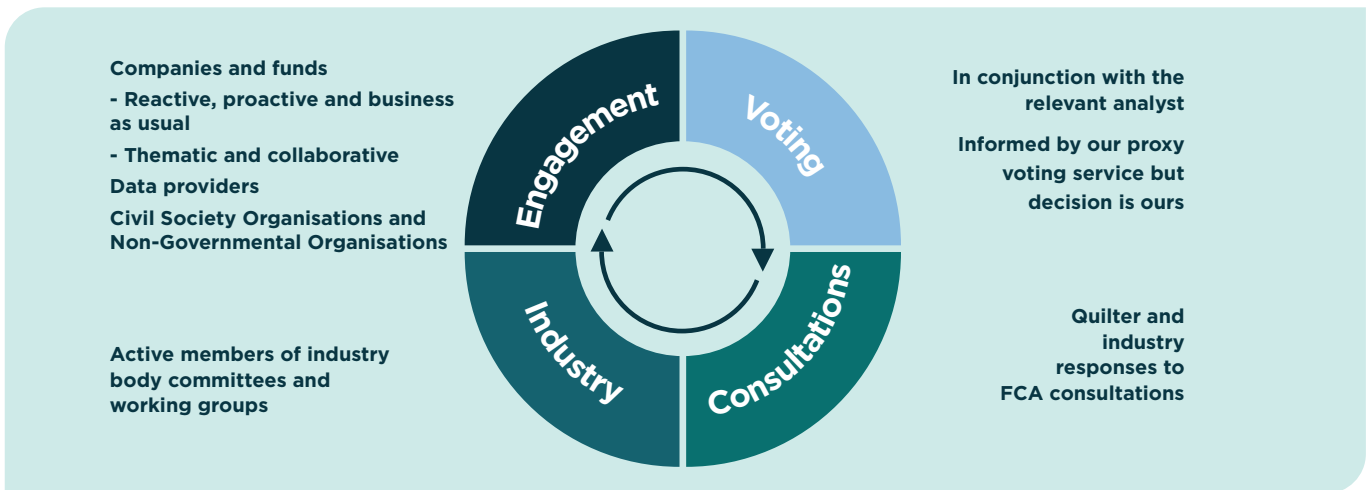
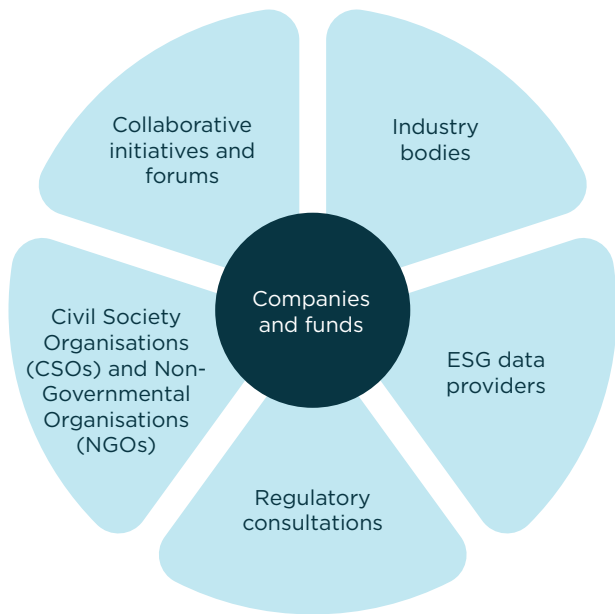
# How we engage



Given finite resources, we consider **materiality** to be an important factor in determining our engagement targets. This is materiality in two contexts:

- 1 the size of our holding
- 2 the significance of the ESG issue for the holding

Underpinning our stewardship approach is our **Governance** engagement activity, through which we hold the companies and funds we invest in, to account.



For more detail on our approach to stewardship or details of engagement and voting activities please visit [Stewardship | Quilter Cheviot](#).



# Engagement priorities 2026\*

\* These descriptions represent prospective engagement designs, and may be adjusted as necessary.

# Direct equities

## Climate change

### **Taking the temperature: assessing progress on climate transition plans**

'Taking the temperature' is a recurring biennial climate engagement surveying the quality and progress of our most emissions-material companies' transition plans. This is the third iteration of this engagement, which focuses on 20 companies with the highest emissions contribution to our financed emissions in transition-critical sectors.

### **Introducing the QCCAT: our climate baseline**

The Quilter Cheviot Climate Alignment Test (QCCAT) is a new tool developed to assess and monitor how well companies and funds manage climate risk. We will be introducing this tool across our centrally monitored universe in 2026. This will be an information piece, outlining the methodology and criteria utilised in the QCCAT and providing a climate alignment baseline.

### **Climate disclosures**

This is a new engagement as part of our Climate Action Plan (CAP), where we will be engaging with both companies and funds which currently lack annual climate disclosures. The aim is to demonstrate the value of these data to our stewardship activities, and devise solutions to common obstacles in compiling useful climate disclosures.

# Human rights

### **Moral machines: Artificial Intelligence (AI) and ethics**

As AI systems become more integrated into commercial processes, the ethical implications of their use have come under increasing scrutiny. We will engage investee companies to better assess the challenges and opportunities that arise when developing and deploying AI technologies, including issues of bias and fairness, as well as questions of accountability, privacy, and transparency. Our engagement will focus on exploring the measures companies have in place to address and manage the principles of AI use in relation to human values, ensuring that companies have appropriate policies and practices in this area, and that they maintain a robust standard of reporting incidents.

# Natural capital

## **Plastic fantastic: the cost of fashion**

Expanding on our previous work covering single use plastic among consumer goods companies, we are launching a thematic engagement with investee apparel companies to examine how they are addressing plastic use across their operations and supply chains. With growing scrutiny on the industry's plastics footprint and the use of chemicals of concern, we expect companies to demonstrate credible strategies, measurable progress, and accountability in reducing plastic dependency and waste. To this end, we aim to understand the processes and policies that companies have implemented to minimise the risks associated with plastic use, and to assess how those most exposed to plastic use are preparing for a changing regulatory environment. Additionally, our engagement seeks to identify gaps in current approaches and encourage the adoption of best practice throughout the sector.

## **Wooden dollars: how the banking sector funds deforestation**

We are initiating a targeted engagement with global investee banks to assess how they evaluate deforestation risks in their lending portfolios. Drawing on Forest 500 Finance data to review performance, we expect institutions to demonstrate robust due diligence and accountability in addressing deforestation linked to their financing activities. As part of this engagement, we will explore the measures companies have in place to manage deforestation linked to financing activities, assess the relative performance of investee companies in terms of deforestation financing, and ensure that companies have appropriate policies and practices in this area, including a robust standard of reporting incidents.

# Systemic

## **It's good to talk: how engagement validates company data**

Quilter Cheviot produces a proprietary dashboard comprised of both publicly and commercially available data as part of the ESG integration process to assess company performance. While we strive to use the best most complete data sources available, there are gaps or numbers that require engagement. To address these challenges, we will be systematically engaging companies within our dashboards to improve disclosures, follow up with laggards and better understand where this data is not being collected by ESG service providers. The primary objectives of this approach are to improve material company ESG disclosures, evaluate poor quantitative performance, enhance the consistency of reporting amongst service providers, and gain a deeper understanding of the systemic challenges in comprehensive ESG data reporting.

# Collaborative engagements

## Climate Action 100+

Quilter Cheviot is an investor participant of Climate Action 100+ and continued the work in 2025. 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 and Trane Technologies engagement working groups.

## IIGCC External Managers Working Group

Quilter Cheviot is an active member of this working group which was established in 2024 to support ongoing net zero alignment work being undertaken for use by IIGCC members. The working group meets on a regular basis to develop resources relating to the use of external fund managers when attempting to align portfolios with the goals of the Paris Agreement. The initial focus will be creating target-setting and implementation guidance for when investors use external fund managers to achieve their individual investment objectives. The group has just issued a first version of investor guidance on applying a climate alignment framework to externally managed funds, which is now open for public consultation.

## Wealth Managers for Climate Action

Quilter Cheviot is a member of the Wealth Managers on Climate Group (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, who 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 the climate. Recent projects of the group have included compiling and adopting a standard climate questionnaire for externally managed fund annual RFI (Request for Information) exercises, and climate framework consultations with IIGCC and ShareAction.

## Net Zero Engagement Initiative

The Net Zero Engagement Initiative aims to enable net 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 is a member of Nature Action 100. This is a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss. The initiative engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. Quilter Cheviot is part of the engagement working group for a global diversified mining company.

# Collaborative engagements

## **30% Club UK Investor Group: 'Fix The Exec'**

Quilter Cheviot is a member of the UK investor branch of the 30% Club, a campaign to boost the number of women in board seats and executive leadership at listed companies in the UK. More specifically, we are also member of the 'Fix the Exec' working group which will engage some of the worst performing listed companies in the UK in terms of the representation of women at executive and senior management level.

## **Advance**

Quilter Cheviot is an active member of the working group for Anglo American where we are working with other investors to advance progress on human rights through stewardship.

## **Investor Forum**

The Investor Forum is a practitioner-led membership organisation that aims to enhance stewardship practices in the UK and facilitate corporate dialogue. We regularly participate in investor feedback on stewardship related topics, such as investment trust board expectations, and utilise the forum to join group dialogues with individual company board members. In 2025, we participated in several group engagements including dialogues with the chairs of Shell and Prudential. At an event convened by the Investor Forum in December, we presented Quilter Cheviot's responsible investment strategy and highlighted ESG performance expectations for a range of FTSE 250 companies. This was a useful way to engage with a broad corporate audience and to communicate our view of UK company best practice on topics like board composition and remuneration.

## **Spring**

Spring is a PRI stewardship initiative for nature, addressing the systemic risks of biodiversity loss to protect the long-term interests of investors. Through this, the initiative aims to contribute to the global goal of halting and reversing biodiversity loss by 2030. Spring seeks to enhance corporate practices, ultimately generating positive, real-world outcomes, while protecting and enhancing investment returns. In its first phase, Spring will focus on tackling forest loss and land degradation in priority geographies and encouraging responsible practices in corporate political engagement. We are an active participant in engagement groups for Reckitt Benckiser Group plc and BHP.

## **Find It, Fix It, Prevent It**

Quilter Cheviot is a member of the working group engaging Persimmon on modern slavery risk management and performance. Engagement with the company is ongoing.

## **AIC - Investor Forum**

The Association of Investment Companies (AIC) was founded in 1932 to represent investment trusts. The organisation's mission is to support and promote the long-term benefits of investment companies by engaging with members, investors, and the wider financial community with a view for closed-ended investment companies to be understood and considered by every investor. We are an active participant in their quarterly meetings and attend industry events.

# Collectives

## **Where's the Net? Third Party Managers and Net Zero Ambitions**

In 2025, we paused on work related to Net Zero Asset Managers (NZAM) initiative. We will continue our third-party fund-alignment engagement, however, the focus will be dependent on what the future of NZAM looks like. We will continue having discussions with our largest external fund managers, outlining our expectations in addressing the climate impacts of their investments. Our engagements will include discussion of firms' rationales where they lack alignment targets, highlighting relevant barriers to setting targets (e.g. asset types lacking established alignment methodologies), and understanding what measures firms can reasonably take to mitigate the climate impact of investments.

## **Measuring the Responsible Manager: What Does Good Look Like?**

Quilter Cheviot is developing a proprietary dashboard which is used to assess our centrally monitored third-party funds across a range of ESG factors and metrics. We will be actively engaging with managers to explore what it means to be a 'responsible manager' in practice, moving beyond high-level commitments to assess real-world implementation and outcomes.

## **Investing for Impact: How Do Funds Measure Up?**

This is a new engagement exploring how funds claiming to deliver positive environmental and social impact actually measure up against their stated objectives. It examines the frameworks, metrics, and methodologies used to assess impact, comparing these across different funds to identify best practices and gaps. By analysing transparency, alignment with global standards, and the robustness of reporting, the study aims to provide investors with insights into how the funds distinguish themselves not only through their stated impact objectives but also through the credibility and depth of their measurement and disclosure practices.

## **Revisiting Investment Trusts: Is There Progress?**

Quilter Cheviot has previously published several reports on our responsible investment expectations for investment trust boards. In-depth engagement and analysis were carried out to understand how investment trust boards were performing against key criteria including board effectiveness, board composition and disclosures. On the back of this, we developed a Red, Amber, Green (RAG) rating system where we rated all 41 of the investment trusts. We will follow up on this research to see how boards have evolved based on our findings over the last 12-18 months.

## **ESG Through the Growth Lens in Emerging Markets**

Emerging markets present a unique intersection of rapid economic growth and pressing sustainability challenges. "ESG Through the Growth Lens in Emerging Markets" explores how environmental, social, and governance considerations can be integrated into high-growth economies without compromising development objectives. This piece examines how asset managers structure portfolios to capture high-growth potential while embedding sustainability objectives. By exploring how funds balance macroeconomic volatility, governance risks, and social imperatives with long-term ESG commitments, it highlights strategies that position ESG not as a constraint but as a driver of resilient returns.



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