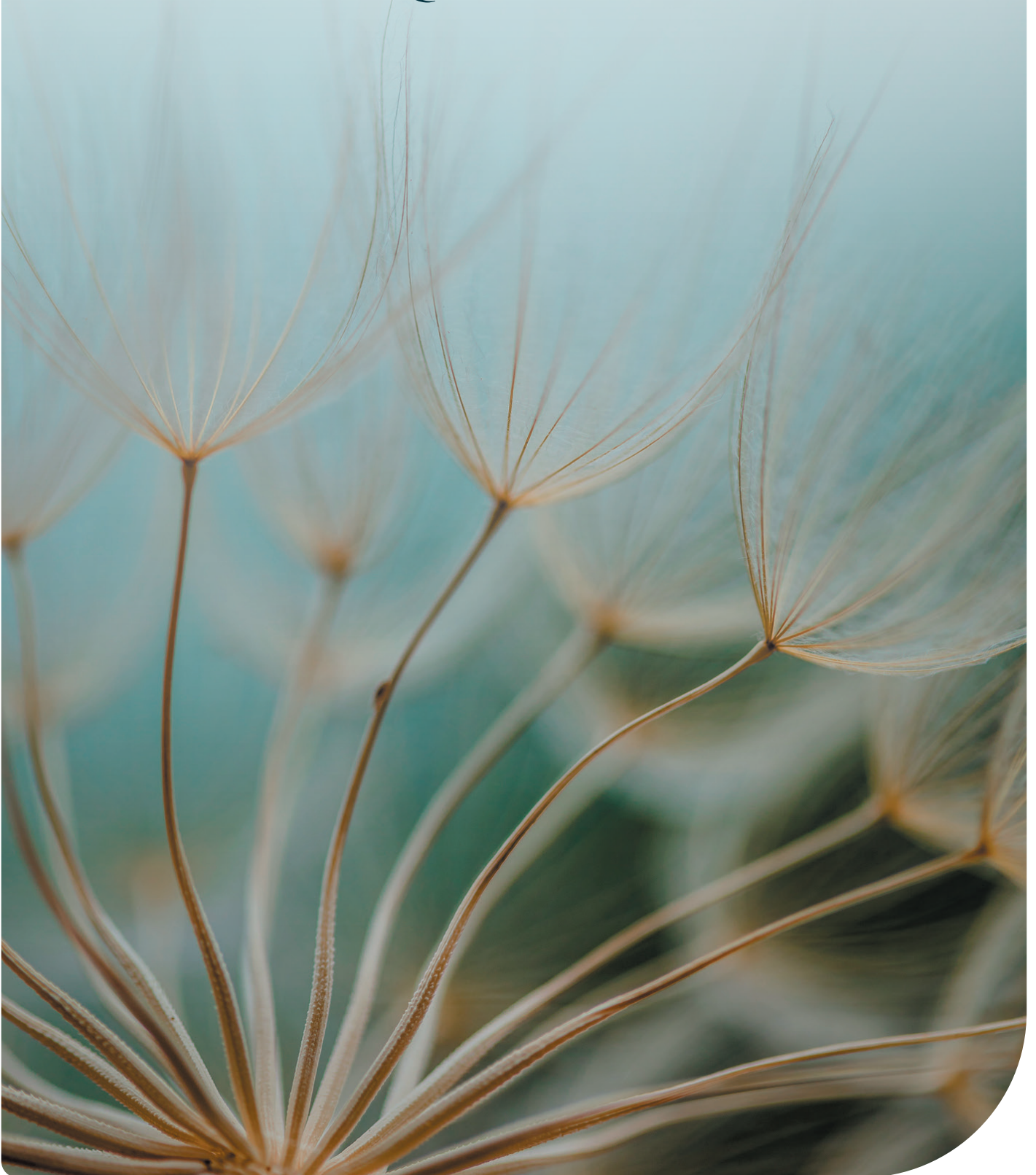




QUILTER CHEVIOT

# Responsible Investment Quarterly

*Quarter 1, 2026*



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# Welcome

The new year heralds regulatory reporting season with the publication of **Taskforce for Climate-related Financial Disclosures (TCFD)** reports and our **annual Stewardship Code report** which maintains our signatory status. For the first time, we combined the TCFD reporting across Quilter into one Group report, this sits alongside the TCFD product reports for our core strategies enabling clients to have access to what we hope is useful climate-related information.

Work is progressing on enhancing our proprietary dashboards for equities, funds (across asset classes) and corporate bonds. We believe that quantitative analysis is helpful to evidence how we categorise our holdings through a responsible investment lens. We would also add that we are keen on raw data rather than the opinions of ESG ratings providers. We combine this quantitative assessment with a qualitative overlay to make sure the data is telling 'the truth'. As part of this process, we have been engaging with direct equity holdings as part of our **It's good to talk: how engagement validates company data engagement**; the full report is on pages 7-9.

Quilter Cheviot is a member of a number of collaborative networks where we engage with companies on topics related to our climate change, human rights and natural capital themes. There's a lot of work in the background, with group meetings to discuss strategy ahead of meeting with the target company. We don't report on these kinds of meetings, but they form an integral part of our active participation in such networks. Over the quarter we have become a member of the **Initiative for Responsible Mining Assurance (IRMA)**, more on this from Greg further on in this report. As a member of the Investment Forum, we attended an investor meeting with the Association of Investment Companies to discuss the activist shareholder, Saba, and the impact it is having on the sector.

Engagement also comes in the form of letter writing - although admittedly they are emailed rather than posted. As part of our active participation in the Net Zero Engagement Initiative, we joined other investors writing to ask targeted companies to continue to develop and report on their climate transition plan. As a member of the Institutional Investors Group on Climate Change (IIGCC) we co-signed letters alongside other investors to targeted companies regarding the EU Deforestation Regulation. This follows on from our **thematic engagement** on this back in 2024. Engagement isn't just about interactions with our investments; it is also critical that we hold data providers to account and contribute to the wider industry which involves being active members of industry associations and responding to FCA (our regulator, the Financial Conduct Authority) consultations.

Finally, we're delighted to welcome Adeola Egunnike to the team, she joins us from Nest and will be focused on our voting and related engagement activity - just in time for proxy season to kick off.



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# Our latest research and insights

Read the latest from us in the news this quarter

RESPONSIBLE INVESTMENT

## Disposable disclosures

Consumer goods and single use plastics



Plastic pollution has become a defining environmental challenge, with studies warning that by 2050 the oceans could contain more plastic (by weight) than fish. In response, regulators worldwide have introduced over 731 plastic pollution policies between 2012 and 2022, and global treaty negotiations are underway to curb plastic waste. For investors, the implications include rising regulatory and public pressure on companies to manage plastic risks as well as potential financial impacts from compliance costs or reputational damage.

**Disposable Disclosures:**  
consumer goods and single use plastics

[Click here for the full insight](#)

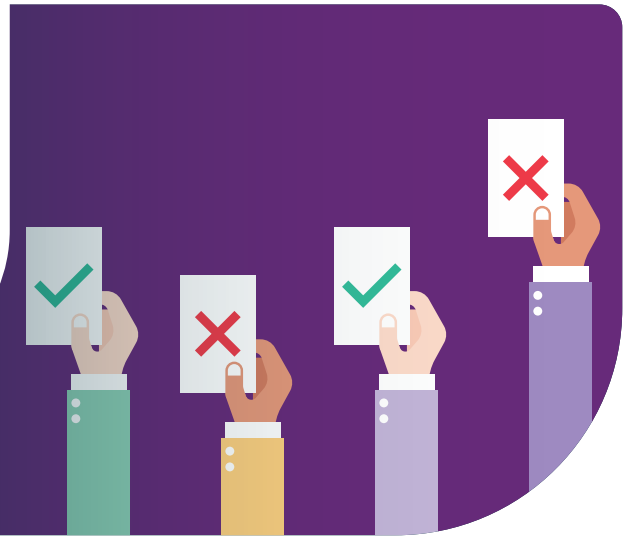


**Greg Kearney**  
Senior Responsible  
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**Chris Beckett**  
Consumer Staples  
Analyst

# Voting at the margins: Every vote counts



In corporate boardrooms around the world, passing key proposals can come down to just a handful of votes. Shareholder voting, especially on contested issues, has proven to be a powerful lever for change. From 2017 onwards, a group of global investment managers including large US names like State Street, BlackRock and Vanguard began to apply more targeted pressure on S&P 500 companies to improve gender diversity at the board level. These investment managers set explicit minimum expectations and adopted policies of voting against directors at companies that failed to make sufficient progress. Voting measures like these, paired with appropriate company engagement, directly contributed to a +150% increase in the number of women directors on corporate boards between 2016 and 2019.

Voting at the margins: Every vote counts

[Click here for the full insight](#)

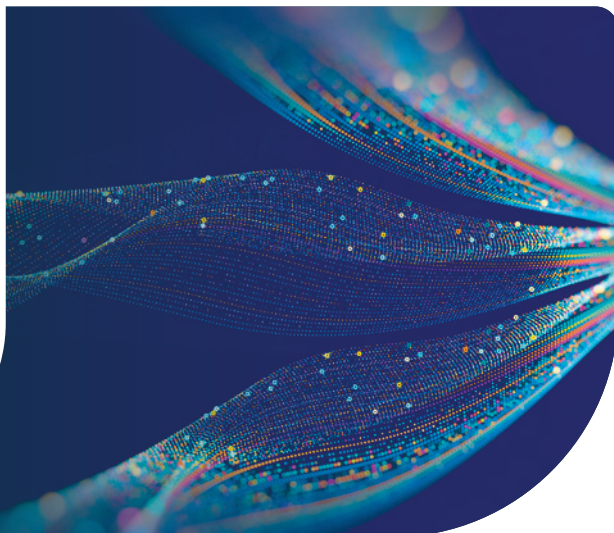


**Greg Kearney**  
Senior Responsible  
Investment Analyst



*Additional research by*  
**Theo Morgan**  
Investment  
Management Intern

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



## Setting the bar high: driving better standards in a risky world

Recently reading an article by Gillian Tett written in the Financial Times, I was reminded of the 1986 Challenger space shuttle disaster and NASA's response to the incident. In January 1986, the Challenger space shuttle disintegrated shortly after launch, killing all seven astronauts on board. The cause was not a single catastrophic failure, but a culture of complacency. Engineers had long warned about the vulnerability of the shuttle's engine seals in cold weather, but because previous launches had succeeded despite similar conditions, those warnings were downplayed. Over time, small deviations from safety standards were normalised, a phenomenon sociologist Diane Vaughan termed the "normalisation of deviance"<sup>1</sup>. Tett was writing in the context of American business. She warned that when companies and markets begin to accept small rule-bending as routine, trust - the foundation of capitalism - begins to erode. This erosion is rarely sudden. It happens incrementally, as minor lapses go unchallenged and become the new norm.

This tragedy, and the subsequent NASA report titled 'The Cost of Silence'<sup>2</sup>, revealed how groupthink and the erosion of standards can lead to disaster. The report's recommendations: "never use past success to redefine acceptable performance," "prevent groupthink," and "keep safety programmes independent" are as relevant to corporate governance and investment as they are to aerospace engineering.

In the world of responsible investment, these lessons resonate deeply. Importantly, the same patterns can plague businesses and financial markets. Corporate scandals and failures rarely happen because one person suddenly decides to "go rogue." More often, standards slip little by little: a minor compliance lapse is ignored, a questionable payment is tolerated, safety checks are rushed, until one day, there's a major incident. When companies begin to rationalise away ESG risks or silence dissenting voices, they risk not only reputational damage, but also long-term value destruction. As investors, we have a responsibility to set high expectations and hold companies to account, not just to protect capital, but to ensure that the businesses we invest in are resilient and future fit.

By setting clear expectations when engaging with companies on ESG risks, we can help prevent the slow drift into mediocrity or misconduct. It's not about perfection, no company is flawless, but about a commitment to continuous improvement and transparency.

## Defining a higher bar - our 'Engaged' investment universe

At Quilter Cheviot, we operationalise this philosophy through the work we do to define our 'Engaged' investment universe - a curated list of companies that meet elevated ESG standards and are suitable for inclusion in portfolios aligned with higher sustainability preferences.

This process is underpinned by a robust ESG integration framework that combines quantitative data with qualitative judgement and active ownership. Our approach rests on three pillars:

- 1 ESG dashboards built on the Sustainability Accounting Standards Board (SASB) framework, tailored to each industry.
- 2 Core metrics applied across all companies, including climate targets, governance assessments, CEO pay alignment, and board diversity.

1 'Trump and the normalisation of deviance,' Gillian Tett, Financial Times (February 2026)

2 'The cost of silence: Normalisation of deviance,' NASA (March 2014)



Regular engagement with companies to contextualise data, clarify concerns, and set expectations for improvement.

The dashboards flag both consistent underperformers and leaders within industry peer groups. Where signals are mixed or unclear, we engage directly with companies to understand the story behind the data. This ensures that inclusion in the Engaged universe is not based solely on scores, but on a holistic view of ESG performance and trajectory.

Importantly, we do not set arbitrary thresholds or quotas. Each company is assessed on its own merits, with the understanding that ESG risks and opportunities vary by sector and geography. This flexibility allows us to apply high standards without being rigid or formulaic.

## Engagement in practice

Our engagement process is not about box-ticking – it’s about meaningful dialogue that drives information flow and, sometimes, change. Companies flagged for potential downgrades of performance are given the opportunity to respond, explain, and – where necessary – improve.

Recent engagements with companies such as Medtronic, SAP, Micron, and LVMH, illustrate this in action. Each was recently identified as being on the borderline of our Engaged universe due to concerns ranging from governance and board diversity to climate disclosure and supply chain oversight.

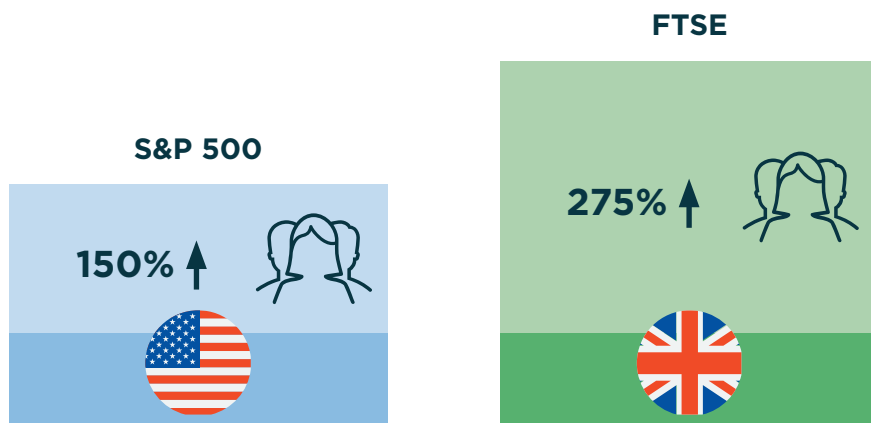
- Medtronic was flagged for low board diversity and governance structure concerns. Through engagement, the company acknowledged the issues and outlined steps to improve, including enhancing board independence and addressing product safety incidents.
- SAP faced scrutiny over past bribery allegations and a drop in board gender diversity. The company responded by quadrupling its compliance team and committing to align with EU diversity directives.
- Micron’s high carbon intensity and low climate disclosure score raised red flags. However, engagement revealed credible efforts to reduce emissions, expand renewable energy use, and improve transparency.
- LVMH was questioned on data points related to human rights and governance concerns. The company demonstrated significant improvements in supply chain due diligence and board composition, justifying its continued inclusion.

In each case, the outcome was not determined by the presence of issues alone, but by the company’s willingness and ability to address them.

**This reflects our belief that engagement, not divestment, is often the most effective tool for raising standards.**

## The power of expectations

Investor expectations matter and shareholder pressure has driven tangible change.



From 2016 to 2019, targeted voting policies by major asset managers contributed to a **150% increase** in the number of women on S&P 500 boards. In the UK, similar efforts contributed to women holding **45% of FTSE 100 board seats** by 2025, up from just 12% in 2011.

These outcomes were not the result of regulatory action. They were achieved because investors set clear standards and used their influence to enforce them. This is the essence of stewardship: using ownership rights to promote better governance, resilience, and long-term value creation.

## High standards in times of upheaval

Some argue that during periods of economic uncertainty, ESG considerations should take a back seat to financial fundamentals. We disagree. In fact, times of upheaval are when high standards matter most.

Research during the COVID-19 crisis showed that companies with strong ESG profiles were more resilient, experiencing smaller drawdowns and faster recoveries<sup>3</sup>. This is not surprising. Companies that manage short, medium and (importantly) long term ESG risks well are often better governed, more forward-looking, and more trusted by stakeholders. They are more likely to anticipate and adapt to shocks, whether environmental, social, or economic.

Moreover, crises test corporate integrity. Under pressure, some companies may be tempted to cut corners or deprioritise sustainability. Those that maintain their standards and are held to them by engaged investors can emerge stronger.

## Conclusion: the value of vigilance

The Challenger disaster was a tragedy born of 'group think' and lowered expectations. In the world of investment, the cost of silence may not be as immediate or visible, but it is no less real. When investors fail to monitor and challenge companies on ESG risks, they risk enabling the very behaviours that lead to long-term value destruction.

At Quilter Cheviot, we choose a different path. Through rigorous analysis, active engagement, and a commitment to high standards, we aim to build portfolios that are not only financially robust but also aligned with the values and expectations of our clients.

Setting the bar high is not about being punitive or idealistic. It's about recognising that standards shape behaviour, and that behaviour shapes outcomes. By refusing to accept the normalisation of deviance, we can help companies stay on course and ensure that our investments are built to last.



**Greg Kearney**  
Senior Responsible  
Investment Analyst

<sup>3</sup> 'MSCI indexes during the coronavirus crisis,' MSCI (April 2020)



## Quilter Cheviot joins the Initiative for Responsible Mining Assurance (IRMA)

**As part of our parent group, Quilter plc, Quilter Cheviot has joined the Finance Working Group of the Initiative for Responsible Mining Assurance (IRMA), a global multi-stakeholder initiative that promotes more socially and environmentally responsible mining.**

IRMA provides an independent assurance system for industrial scale mine sites, offering third-party audits against a comprehensive standard that covers environmental protection, human rights, community engagement, and labour practices. IRMA's framework is designed to bring transparency and accountability to a sector that underpins so much of the global economy.

As an investment manager allocating across sectors reliant on mined materials including technology, automotives and renewable energy, Quilter Cheviot recognises the importance of responsible mineral sourcing. Membership in IRMA enables us to support the uptake of credible assurance mechanisms and contribute to the development of stronger expectations for mining companies and their downstream customers. IRMA's scale is an essential element of its success, as of 2026 mines engaged in IRMA's program account for roughly 45% of global industrial mining production, covering dozens of key commodities from lithium to iron ore. This expansive coverage means IRMA is increasingly influential in setting the bar for responsible practices across the mining sector.

The Finance Working Group plays a distinct role in IRMA's governance, sitting alongside representatives from mining-affected communities, labour, non-government organisations (NGOs), mining companies, and purchasers. It provides a platform for financial institutions to help shape the initiative's direction and to encourage companies in their portfolios to engage with IRMA's assurance process. Labour rights are a core focus of IRMA's Responsible Mining Standard, which includes detailed requirements to prevent forced labour and human trafficking. This is particularly relevant in the context of critical minerals like cobalt and lithium, where supply chains are often linked to exploitative practices. By joining IRMA, Quilter plc is helping to strengthen the financial sector's voice in shaping a more ethical and sustainable mining industry - one that respects people and planet while supporting long-term value creation.

# Voting highlights

## Social voting activity by numbers:



### **2x votes against items opposing diversity and inclusion measures** (shareholder proposal)

We voted against shareholder proposals at Intuit and Visa which looked to create a more restrictive environment for implementing inclusion and diversity programmes by linking measures to and requiring reporting on the return on investment for any initiative. We do not believe these initiatives have created financial harm for either company and this metric would be the wrong way to measure success of these programmes.

*Companies voted on: Intuit, Visa*

## Governance voting activity by numbers:



### **3x votes to abstain on electing directors** (management item)

We placed abstention votes for the election of three directors as they represent the shareholder which benefits from the multi-class voting structure which means that not all shareholders are treated equally.

*Company voted on: Novo Nordisk (x3)*



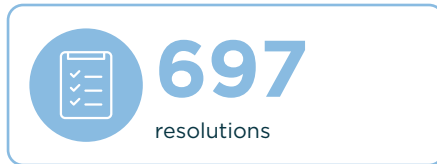
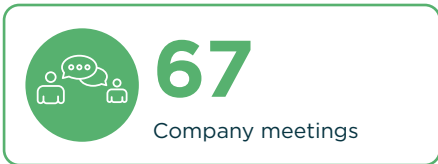
### **1x vote against management on corporate governance** (shareholder proposal)

We voted for reducing the ownership threshold for shareholders to call a special meeting at Micron Technology to 10% as this is a common practice and would enhance shareholder rights.

*Company voted on: Micron Technology*

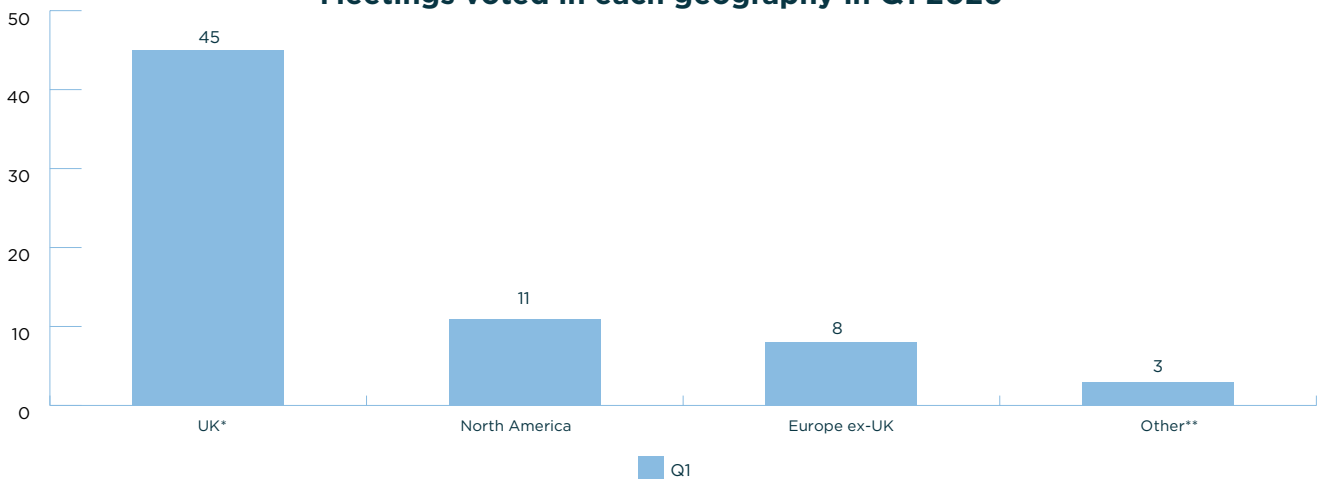
# Voting activity

In **Q1 2026** Quilter Cheviot voted at:



**It is important to note that on a number of occasions having engaged with the relevant company we did not follow ISS' recommendations.**

## Meetings voted in each geography in Q1 2026



\* Includes the Crown Dependencies of Jersey and Guernsey  
 \*\* Australia & New Zealand, Asia ex-Japan, Latin America, Japan

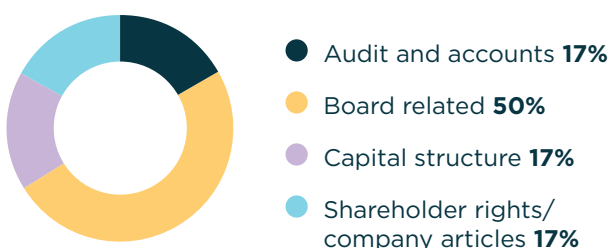
## Meetings with votes against management in Q1 2026 (excluding shareholder proposals)



## Meetings with votes against management in Q1 2026 (including shareholder proposals)



## Management resolutions voted against by topic in Q1 2026 (excluding shareholder proposals)



## Shareholder proposals

Over the quarter we supported two shareholder proposals relating to shareholder rights and company articles.

We voted against other shareholder resolutions which took an anti-ESG or anti-DEI stance.



# Engagement activity

**During the first quarter of 2026 we have undertaken various company and fund engagements, and we include the majority of these within the report. In line with the Shareholder Rights Directive II (SRD II) disclosure regulations, we usually include the name of the company, investment trust, or fund. In some cases, we will anonymise or not include the engagement in our public reporting, as this would be unhelpful in the long-term to the ongoing engagement process.**

Our three mega themes of Climate Change, Human Rights and Natural Capital inform our engagement activity. Underpinning our stewardship approach is our Governance engagement activity through which we hold the companies and funds we invest in, to account.

When we engage, we do so with a specific objective and are outcome oriented. The outcome will take a number of different forms including:

- A change in, or validation of the responsible investment categorisation of the holding
- For investment trusts, a change in, or validation of the RAG rating which assesses board composition, board effectiveness, and responsible investment disclosures
- A voting decision
- Addition or removal from a model strategy
- A change in an analyst's recommendation



**Environment:** climate change and natural capital



**Social:** human rights



**Governance:** engagement activity across our holdings

# Climate change

## MICRON - Environment

**Objective:** We engaged with a senior member of Micron's Sustainability team as part of our responsible investment categorisation process as detailed in the *It's good to talk: how engagement validates company data* report. The purpose was to test the rationale behind our quantitative ESG analysis, which had flagged Micron as a potential ESG underperformer due to high carbon intensity, lack of a Science-Based Targets initiative (SBTi) commitment, and a 'D' climate disclosure score from CDP. We sought to understand the context behind these indicators and assess whether they reflected broader structural issues or could be explained by company-specific factors.

In our discussion, the Micron representative acknowledged the company's elevated carbon footprint relative to the broader semiconductor industry. Micron, as a semiconductor manufacturer focused on memory chips (like Dynamic Random Access Memory (DRAM)), operates energy-intensive fabrication facilities. This inherently results in high absolute emissions. Micron's carbon intensity is not an outlier when comparing across the semiconductor manufacturing sector, it was roughly mid-pack, higher than some peers but lower than a major chip foundry like TSMC. The difference partly stems from product mix and operations: memory chip production versus logic chip manufacturing has some variations in processes, but all advanced chipmakers face significant emissions challenges.

Micron has not committed to validated emissions reduction targets through the SBTi but has set its own climate targets, aiming for net zero Scope 1 and 2 emissions by 2050. Interim goals include a 42% reduction in Scope 1 emissions by 2030 from a 2020 baseline, with 16% already achieved. Key challenges remain, such as access to low-carbon energy in some regions. The company is investing in energy efficiency and renewables and is already sourcing 100% renewable for the US operations. Solutions include on-site installations, green tariffs as well as other carbon accounting instruments like renewable energy certificates (RECs) and power purchase agreements (PPAs). Micron is also transitioning to low 'global warming potential' (GWP) coolants at most sites to further cut factory emissions.

Micron's 'D' rating from CDP, a climate strategy disclosure standard, resulted from the company choosing to provide limited information, largely due to evolving US regulatory requirements and reservations about CDP's scoring system. This lower score reflects this reporting approach rather than a decline in climate management. Micron is working to improve ESG transparency through other channels and expects future reporting to be more comprehensive as standards develop. While Micron does not publish a formal climate transition plan, most constituent parts of one are incorporated into its broader strategy, with the company open to formalising these plans as the political environment and expectations change.

The company outlined Micron's efforts to reduce these emissions by working with suppliers, including its role as a founding member of the Semiconductor Climate Consortium and participation in CDP's Supply Chain programme. In 2024, Micron held a four-day workshop with equipment suppliers to identify energy efficiency improvements, uncovering significant potential savings. These initiatives demonstrate that Micron's climate strategy extends beyond its own operations to its broader ecosystem. Additionally, Micron's new HBM3E memory chip is around 30% more power-efficient than competitors, helping customers cut energy use and further illustrating Micron's commitment to energy efficiency within the tech supply chain.

**Outcome:** Our engagement clarified Micron's environmental performance, revealing that while high emissions and lack of SBTi commitment initially raised concerns, the company is making credible efforts to reduce its carbon footprint, expand renewable energy, and improve processes. Many perceived shortcomings, such as the low CDP score, were found to be due to reporting methods rather than poor climate management. As a result, we are maintaining Micron's status in our responsible investment framework, with no downgrade warranted at this time. We communicated expectations for future improvement, specifically encouraging Micron to set science-based targets, enhance climate disclosures, and develop a formal transition plan. We will monitor the company's progress on its 2025 renewable energy and 2030 emissions targets and re-engage if necessary.

## SIEMENS - Environment

**Objective:** Siemens' Sustainability and Investor Relations teams proactively engaged with the Net Zero Engagement Initiative engagement group (comprising Quilter Cheviot, CCLA, and SCOR) to discuss its approach to its climate transition plan and related disclosures (e.g. TCFD, Corporate Sustainability Reporting Directive).

Our engagement was a discussion around Siemens' current climate disclosures and investors' views on how well Siemens aligns to (and sets) best practice in this area. Siemens had sent a list of questions prior to the meeting request, which our investor group had met beforehand to discuss.

The discussion focused on investor views around the value of third-party frameworks, the role of narrative versus metrics in reporting, and what 'good' looks like in corporate climate transition plans (CTPs).

**Outcome:** The discussion was useful in understanding what Siemens is evaluating in its CTP approach, and what areas it is examining for possible change. We especially appreciated the proactive approach in asking for feedback and visibly embracing many of our recommendations (as has been evidenced in our NZEI engagements). We decided to engage in Q2 as part of our regular Siemens NZEI engagements and provide an opportunity to go over its existing sustainability disclosures in more detail.

# Human rights

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

**Objective:** As AI systems become more integrated into commercial processes, the ethical implications of their use have come under increasing scrutiny. We have engaged with 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 focuses 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.

### ASTRAZENECA - Social

We engaged with a senior member of AstraZeneca's Investor Relations team to explore how this global biopharmaceutical company is managing the ethical risks of artificial intelligence (AI) across four focus areas: bias, explainability, privacy, and accountability. This dialogue builds on our prior thematic work and is part of a broader effort to understand how companies are deploying AI responsibly through balancing innovation with fairness, transparency, and strong governance. Our goal was to engage for information and confirm that AstraZeneca is not only leveraging AI for business and healthcare innovation but doing so in a way that is guided by ethical principles and maintains stakeholder trust.

AstraZeneca provided a detailed overview of its approach to ethical AI, demonstrating a solid commitment in several areas. The company has been integrating AI into large parts of its value chain, notably in drug research. In drug discovery, AstraZeneca combines its deep disease expertise with partner BenevolentAI's machine learning models to uncover hidden patterns in vast biomedical data. By 2024 this collaboration had yielded new drug targets for conditions like heart failure and lupus, which AstraZeneca then experimentally validated before advancing into costly development. Beyond identifying targets, AstraZeneca is also using generative AI for new product design, employing AI algorithms to propose novel therapeutic molecules (including complex biologics such as antibodies and proteins) with desired properties. This augments traditional research and development by efficiently suggesting chemical structures that scientists can further evaluate. The company has even begun automating certain routine but critical tasks with AI, for example, using large language models to draft, check, and translate regulatory documents for product filings in different countries. This automation of documentation, a traditionally laborious process, helps accelerate regulatory submissions while ensuring consistency and compliance across markets.

In late 2025, AstraZeneca underscored its commitments to the ethical undertaking of AI development by publishing a comprehensive set of Data and AI Ethics Principles to guide all AI projects company wide. AstraZeneca's AI strategy has a cautious, 'human-centric' approach. AI systems are viewed as tools to augment scientists and decision-makers, not replace them, especially in critical domains like drug targeting and discovery. The company highlighted that for any important decision influenced by AI, whether in drug development or patient care, human experts remain in control and AI outputs are subject to human review before implementation. One illustration is AstraZeneca's exploration of a 'self-driving' (highly automated) supply chain, where AI would assist in decisions to change suppliers or sourcing geographies. While this concept promises efficiency gains, the company has deliberately kept human oversight in the loop, recognising that regulators and patients are not ready to accept fully autonomous decisions without human sign-off. Similarly, an AI tool that AstraZeneca is co-developing for early disease detection (in partnership with Aptar, aimed at improving chronic kidney disease screening) will undergo rigorous human clinical validation before it is deployed at scale. Overall, AstraZeneca's approach to AI in its industry appears proactive and prudent: embracing AI's potential to accelerate innovation in drug discovery and healthcare, but with appropriate safeguards that keep expert judgment, patient safety, and public trust at the forefront.

**Outcome:** The company has put in place a well-developed framework, including published principles, governance processes, and oversight mechanisms. It provided multiple examples evidencing how these are applied to its AI initiatives. We noted several strengths in AstraZeneca's approach: a forward-looking AI strategy tightly coupled with its business goals; an emphasis on fairness, transparency and patient safety in the design of AI systems; a willingness to invest in governance (e.g. dedicated frameworks and board-level attention); and proactive steps to prepare for upcoming regulations like the EU AI Act.

We also identified areas to watch as AI usage grows, such as the ongoing effort to maintain unbiased datasets and the challenge of scaling explainability for more complex AI models. Importantly, AstraZeneca's openness during the meeting, acknowledging where questions remain (for example, how to best implement some of the new regulatory expectations) are welcome - but also illustrative of the nascent development of governance and ethical safeguards across generative AI use. The widespread deployment of, particularly generative, AI is new and rapidly evolving. There was no change to AstraZeneca's responsible investment categorisation as a result of this engagement, reflecting our view that the company's practices continue to meet our expectations for ethical AI conduct. We will continue to monitor AstraZeneca's progress and engage on this topic as needed, expecting the company to sustain momentum in implementing its AI Ethics Principles. In particular, we anticipate AstraZeneca will keep balancing its cutting-edge AI-driven innovation with the necessary safeguards, ensuring that as the company reaps AI's benefits in drug development and healthcare, it also upholds fairness, accountability, transparency, and patient trust, which ultimately underpin long-term value creation.

## RELX - Social

We engaged with the company's Global Head of Corporate Responsibility. The aim was to evaluate how this global information analytics provider is managing ethical risks of artificial intelligence (AI) across four focus areas: bias, explainability, privacy and accountability. This engagement builds on our 2025 project on AI and emissions and feeds into a broader effort to ensure companies deploy AI responsibly, balancing innovation with fairness, transparency and strong governance. Our ultimate goal is to engage for information on this topic and ensure that companies in our investment universe are not only innovating with AI, but doing so in a way that upholds fairness, protects rights, and earns public trust.

RELX provided a detailed overview of its approach to ethical AI, demonstrating notable leadership in some areas while acknowledging that certain industry-wide challenges remain. RELX has been integrating AI into its products for over two decades, initially through search and analytics tools, and was among the first legal information firms to introduce generative AI (i.e. AI capable of producing human-like text or analysis) in its solutions.

RELX affirmed that its board and executive leadership are directly involved in overseeing AI-related matters and responsibility is distributed rather than delegated entirely to an AI technical team. The company's Responsible AI Principle on accountability promises 'human oversight' and creating accountability for AI outcomes. In practice, RELX maintains a cross-functional senior management forum, led by the Global Head of Strategy with participation from the Chief Technology Officer, Chief Privacy Officer, Head of Data Security and others, that regularly briefs the board on AI developments and risks. RELX essentially embeds AI governance into existing structures.

The company stressed that AI in its offerings is designed to augment human experts rather than replace them and did reflect a cautious, human-centric deployment stance. Many examples were discussed but a particularly notable one was in RELX's science and medical division (Elsevier), where an AI-driven tool called ClinicalPath helps oncologists choose cancer treatments. Importantly, this system's recommendations are transparent (it cites clinical guidelines) and always subject to a doctor's approval, ensuring human oversight and patient safety. This is one illustration on RELX's strength in prioritising human authority in high-stakes AI applications. However, as RELX expands AI use (including new generative AI features in legal and risk analytics), it faces the ongoing challenge of maintaining this careful balance at greater scale. We discussed how relying on human oversight becomes more complex as AI systems grow more autonomous, and we encouraged RELX to continue stress-testing its controls so that efficiency gains from AI never undermine accountability.

**Outcome:** Our engagement with RELX on AI and ethics found the company to be generally on track in managing AI-related risks and responsibilities, with a well-developed framework and many commendable practices already in place. We particularly noted RELX's early adoption of 'Responsible AI Principles' and the thoughtful integration of these principles into product development and oversight. At the same time, as among most users and developers of AI, there is room for enhancement on certain fronts such as fuller public transparency of auditing processes and metrics. We were satisfied that RELX is aware of its ethical obligations and is taking appropriate steps to address them. It is worth highlighting that a large part of the data used by RELX is either proprietary or hard to access, which naturally increases the level of scrutiny and reliability of inputs - often leading to high quality, more easily audited outputs. This demonstrates that the governance and accountability of the data used in forming AI models can have a direct impact on ethical standards. Based on this discussion, we have confirmed that RELX's Responsible Investment rating will be maintained. We will continue to engage and monitor RELX, expecting the company to sustain momentum on ethical AI practices, balancing its strong innovation agenda with the evolving demands of fairness, accountability and trust in the age of AI.

## LVMH - Social Governance

**Objective:** We engaged with LVMH's Investor Relations representative, as part of our responsible investment categorisation process as detailed in the *It's good to talk: how engagement validates company data* report. The purpose was to follow up on several ESG (Environmental, Social and Governance) issues flagged by our quantitative analysis, which had tentatively classified LVMH as a

potential ESG underperformer (or potential 'laggard' in our investment universe). Specifically, we sought to better understand the context behind human rights and supply chain concerns, as well as governance indicators (such as board independence and leadership structure), to determine if these data signals pointed to broader structural problems. The purpose of the engagement was to gather information, clarify performance in the highlighted areas, and set our expectations for any improvements needed.

LVMH's historically poor human rights rating stemmed from a 2018 labour controversy involving Veuve Clicquot's supplier, which was cleared of legal charges in 2020. Since then, LVMH has strengthened third party labour sourcing and supply chain oversight, implemented risk-based due diligence and used tools like Verisk Maplecroft to audit high-risk suppliers, with a "zero tolerance" stance on egregious issues like child labour (meaning, if found, the relationship with the supplier is immediately terminated). Supply chain rating metrics also flagged as a concern. About 70-80% of LVMH's raw materials now come from lower-risk European countries, and the group aims for 100% certification of strategic raw materials by 2026. By 2024, 74% of eligible sites had ISO 14001 environmental management certification, targeting 100% by 2026. LVMH is also improving transparency to address information gaps noted in human rights benchmarks, expecting upcoming EU sustainability reporting to reflect these advances and correct outdated perceptions.

We also discussed governance factors, where our models had flagged LVMH for a relatively low percentage of independent directors on the board (about 44% independent, which falls short of common corporate governance guidelines of at least 50%). The company acknowledged that formal independence on the board is constrained by the presence of the founding family (the Arnault family) in several board seats, given LVMH's status as a family-controlled business. The board has been improving its independence and diversity over time, for example, LVMH has recently appointed additional independent directors (including new female independent directors and experienced leaders from outside the family). The representative stressed that many of LVMH's long-tenured board members, while not 'independent' by strict definition, have deep company knowledge and have overseen significant improvements, and thus bring valuable oversight. We raised a question about the CEO's dual roles, noting that Mr. Bernard Arnault serves as CEO of both LVMH and its subsidiary Christian Dior, an unusual arrangement that could be seen as 'over-boarding.' LVMH's view was that the two CEO roles are closely intertwined (Dior is a major part of the group) and managed as such, implying this does not hinder effective leadership. Nonetheless, they understood our concern and indicated that succession planning and governance remain important topics for the family and board.

**Outcome:** This engagement provided valuable reassurance that LVMH's ESG management practices are stronger than the raw data suggested once company-specific contexts are considered. After gaining further insight, we believe that LVMH is performing better than our initial quantitative indicated, particularly in the areas of human rights and governance where the family ownership structure and proactive management efforts play a significant role. Consequently, we validated our existing responsible investment stance on LVMH, there will be no change in the company's responsible investment categorisation. Our engagement process reinforces that the qualitative context justifies overriding some of the negative indicators. We communicated to LVMH that we expect continued progress on the issues discussed, for instance, further improvements in supply chain transparency and steady enhancements to board independence over time. The company has been responsive to our concerns: notably, following the meeting additional data was provided that confirmed the ISO 14001 certification progress and other sustainability targets, underscoring the company's commitment to more robust ESG disclosure. Going forward, we will monitor LVMH's publicly reported updates (such as the upcoming sustainability report) to ensure that our positive view remains warranted.

## Governance

### DEUTSCHE TELEKOM - Governance

**Objective:** We contacted the Investor Relations team to raise concerns related to a proposal at the 2026 AGM to introduce a jurisdiction clause restricting shareholder's ability to bring claims against the company in jurisdictions outside of Germany (its domicile).

The company proposed amending the Articles of Association to facilitate this change. Nine other large German companies have adopted such proposals. There is a concern that this amendment may restrict global shareholders' ability to bring claims against the company and may disadvantage shareholders during disputes. There is a lack of compelling rationale for this change and there is little evidence that the company has significantly consulted major shareholders on the proposal.

**Outcome:** The company did not respond to our request for engagement, and we voted against the proposal.

## LEGAL & GENERAL - Governance

**Objective:** We received a follow-up letter regarding the changes made to the 2026 remuneration proposal from the chair of the Remuneration Committee following consultation with shareholders, a process we participated in.

The letter outlined the changes made to the initial proposal following the shareholder consultation. A number of changes have been proposed in the final draft, one of which is clarification of the operation of strategic award mechanisms as part of the long-term incentive plan and clarification on the ESG element of strategic measures. This is something we advocated for during the consultation. The company has now re-implemented the disclosure of a quantitative threshold and maximum ranges as part of the climate dominant ESG component of the strategic award.

**Outcome:** This is a positive outcome. The changes made to the final draft are welcome and aligned with our response to the remuneration consultation. We are broadly supportive of the final draft policy.

## LSEG ESG (DATA PROVIDER) - Governance

**Objective:** This was a follow up to our engagement last quarter with LSEG ESG to assess progress against the agreed action points.

We engage with data providers on an ongoing basis, in this instance our focus was on the methodology used by LSEG ESG, and particularly focused on the definition (materiality and timeliness) of controversies.

**Outcome:** The LSEG ESG team was able to provide more context, and we will continue to monitor the methodology and data outputs which are used within our proprietary dashboards and to inform engagement activity.

## MEDTRONIC - Governance

**Objective:** We engaged with a member of Medtronic's Investor Relations team as part of our responsible investment categorisation process as detailed in the *It's good to talk: how engagement validates company data* report. The purpose was to follow up on our quantitative analysis, which had flagged the company as a potential underperformer in several ESG risk categories. These included the combined chair and chief executive (CEO) roles, supermajority shareholder voting requirements for key decisions, very low female board representation, and recent product recalls. The engagement's purpose was to understand the context behind these issues and assess if they indicated structural weaknesses or were being managed effectively.

In the meeting, Medtronic acknowledged our concerns and provided context. On governance, whilst the CEO also serves as chair, there are measures in place to ensure independent oversight. The lead independent director takes an active role, helping to set board agendas and foster open dialogue among directors. This structure provides a counterbalance to the combined role. The board periodically reviews whether having the same person as chair and CEO remains appropriate. Regarding the requirement for supermajority shareholder votes (for actions like bylaw changes or mergers), Medtronic acknowledged this legacy provision is uncommon. Whilst there has been some recent governance restructuring (e.g. consolidating board committees to focus on growth and operations) there was no specific reason given to justify retaining the supermajority rules.

We also discussed board diversity. Only 17% of board members are female, which is significantly lower than its industry peers. The company explained this was due to recent departures of two female directors who were replaced by male candidates. Improving gender diversity is a priority and the nomination process now requires diverse candidate slates, and additionally the company is developing internal female talent to widen the pipeline for senior roles. This seems to have been relatively successful as 45% of management positions held by women (as of end of 2024). Nevertheless, Medtronic highlighted challenges in finding suitably experienced female directors in the medical technology field.

On product safety, the company addressed the recent recalls that contributed to its controversy score used in our quantitative analysis. A voluntary recall of an insulin pump device was triggered by a battery component defect that could cause device failure (an FDA Class I recall). Medtronic has since redesigned the part and replaced or fixed most affected units. The company also highlighted that this recall issue largely took place in 2021 and has largely been remediated. Another major recall involved a neurovascular embolisation device linked to patient injuries and fatalities; the device was pulled from the market, and the underlying issue (a supplier quality failing) is being rectified. Medtronic highlighted that under new quality leadership it has bolstered oversight systems and seen improvements in quality metrics (for example, fewer issues found during regulatory inspections). The company emphasised that a proactive safety culture exemplified by swift recalls and a 'Patients First' programme is central to operations. Given the nature of the product line, providing complex medical equipment used in sensitive medical procedures and for severe conditions, it is likely that there will be more product recalls for this versus some other areas of the healthcare equipment sector.

Finally, we noted that Medtronic's RepRisk Index (RRI) controversy rating had spiked, largely due to a \$382 million fine from an antitrust lawsuit in 2023. The team acknowledged this but is unable to provide further context as the company is challenging the outcome.

**Outcome:** Our engagement gave us greater confidence that Medtronic is actively addressing the issues raised. We are therefore not altering Medtronic's responsible investment classification currently. However, we set clear expectations for improvements (for example, on board diversity), and we will monitor progress, engaging again if required.

## PRIMARY HEALTHCARE PROPERTIES - Governance

**Objective:** We participated in a shareholder remuneration consultation, coordinated by the Company Secretary, to provide feedback on the company's draft remuneration policy, to be put forward at the 2026 AGM.

Primary Healthcare Properties (PHP) REIT is looking to raise the salaries of both the CEO and CFO, as well as increasing the long-term incentive plan (LTIP) maximums for both executives. The increases will take place in two stages with a first salary rise taking place in 2026 (alongside the increase to LTIP) and a second salary increase taking place in 2027 if the merger with Assura REIT is successfully executed. The magnitude of the CEO and CFO salary increases (18% and 13% immediately, and cumulatively 38% and 23% by 2027) are significant but so is the transformational change in PHP's size, which will approximately double. On assessing peer data, executive pay has been behind the REIT sector median (and comparably sized FTSE company medians) for some time. These changes would bring post-merger total remuneration closer to both medians but still below.

**Outcome:** The remuneration proposal appears well-justified and balanced. Key best-practice safeguards - phasing, performance conditions, shareholder engagement, and staying within policy are all present. We indicated broad support, pending analysis of the final policy. We highlighted the need for clearly disclosed rationales for any second stage increase in 2027. Our responsible investment categorisation remains stable.

## SAAB - Governance

**Objective:** We contacted the Investor Relations team to raise concerns related to a number of topics being put forward to shareholders at the 2026 AGM.

Highlighted issues included an over boarded director, use of unequal voting rights and the annual performance period of the long-term incentive plan. One non-executive director holds four company positions (one as an executive and two as chair) raising questions regarding the director's ability to allocate sufficient time to these positions. Two directors are representatives of a significant shareholder, who also benefits from an unequal voting structure. Unequal voting structures are not something we typically support. Also of concern are three items related to the approval of the 2027 long-term incentive plan, of which 90% of awards are measured over a one-year period. This is not sufficiently long-term in nature, with best practice typically measuring performance targets over a period of three years.

**Outcome:** We voted against management on all director election items related to over-boarding and unequal voting rights. We also voted against all remuneration items related to the 2027 long term incentive plan. We contacted the company who did not immediately respond to our request for dialogue but have since been in touch to arrange an engagement prior to the 2027 AGM.

## SAP - Governance

**Objective:** As part of our firmwide responsible investment categorisation, we formally review all monitored direct holdings on a bi-annual basis as detailed in the *It's good to talk: how engagement validates company data* report. From the review we completed on November 2025, SAP was among the companies on the dividing line as it had a balance of areas of concern and excellence. To determine its appropriate RI categorisation, we engaged with senior members of the Investor Relations team for more context.

The first key issue discussed was its percentage of independent board members and board gender diversity, which both fall below the peer group median of the software and services industry group. As a German company, SAP's board is made up of a two-tier structure which is in line with its market norms, and less common for its peer group who mostly reside in different markets. This two-tier structure allows for a management board (made up of mostly independent non-executive directors) and a supervisory board made up of employee elected representatives. In combination overall board independence appears low as the supervisory board are all non-independent employees. From the recent employee elections, the candidates who received the most votes were also male, leading to SAP's board gender diversity to fall from 44% to 30%. When only taking the management board into account (the section that represents shareholders and one that the company can control), gender representation looks higher. It currently meets German and EU targets on board diversity on this view, though more will need to be done to meet future expectations of the EU 'Women on Boards' directive - something that we highlighted.

On executive pay, we discussed the misalignment between five-year CEO pay growth and total shareholder return (TSR). SAP explained that high payouts were largely driven by long-term incentive grants awarded in 2021, which vested during a period of strong share price performance. A new remuneration policy has since been introduced, and the company expects future outcomes to better reflect performance. The metric is also affected by the poor share price performance in 2025.

The final area of concern discussed in the meeting was on the company's involvement in bribery and corruption allegations in Azerbaijan and South Africa. The employees who were involved have since left the business and SAP has made several enhancements to its compliance, training, and headcount. The headcount of the compliance department has quadrupled, with more allocation towards high-risk regions. All SAP employees are required to take part in compliance training based on real life scenarios and the whistle blower hotline has been moved externally which has led to an increase in its usage.

**Outcome:** This was a productive meeting which addressed all areas of concern from our bi-annual review for the responsible investment categorisation. The company is operating in line with market norms and has addressed its historical corruption and bribery investigation through a settlement made to the U.S. Department of Justice (DoJ). Additionally, the US DoJ highlighted the company's high level of cooperation and diligence in remedying weakness as part of the settlement. We are maintaining SAP's current Responsible Investment categorisation. However, we set clear expectations: SAP should improve board diversity in line with EU guidance, ensure executive pay remains aligned with long-term performance, and continue to demonstrate strong compliance oversight. We will monitor progress and re-engage as needed.

## SCOTTISH MORTGAGE - Governance

**Objective:** To discuss proposed changes to the trust's investment policy.

We undertook a number of engagements in February and March with the trust's brokers and the chair via 1-1 meetings, emails, and letters to discuss in detail the proposed changes to the investment policy. The fund's private investments exceed the 30% cap set within the investment policy following significant revaluations of some of the private holdings. The board has proposed an additional £250m pot to be ringfenced for further private equity investments on an ad hoc basis. We met with the chair to share our initial thoughts and clarify several points including the rationale behind the proposal, the role of the board from a governance perspective, and the benefits he sees for shareholders should the proposal be approved.

The chair explained that the board would review every investment that would be put forward from the £250m pot and would scrutinise them from a governance perspective. He stressed that it is the role of the fund managers to make investment decisions and not the board and therefore investments would likely be approved. The additional funding from their perspective would greatly enhance shareholder value of the fund giving the example of their early investment in SpaceX. He noted that the fund managers generally prefer to invest in several rounds of funding to increase shareholder value over time.

Following the meeting, we wrote to the chair outlining our support for the resolution but highlighted our reservations around the governance process that will be applied to the approval process and highlighted that the additional allocation should be used to support existing portfolio investments with the aim of preserving shareholder value.

**Outcome:** The engagements with SMT provided further clarity into the proposed investment policy changes, and following the discussions we have formed a view that we would vote in favour of the resolution at the upcoming AGM.

## SUNBELT RENTALS - Governance

**Objective:** To assess Sunbelt Rentals' (formerly Ashtead Group) approach to gender diversity at the executive and board level, as part of the 30% Club Fix the Exec collaboration. The discussion covered leadership strategy, succession planning, recruitment practices, inclusion initiatives, and disclosure.

Sunbelt Rentals operates in the construction and equipment rental sector, which management repeatedly cited as a structural constraint on gender diversity. Despite acknowledging low female representation at senior levels (board gender diversity has fallen significantly, from over 44% to 25%) the company confirmed that it does not set qualitative or quantitative targets, nor does it collect meaningful data to monitor progress. Management expressed a clear preference for organic change over targeted intervention, offering limited evidence that this approach is delivering measurable improvement. The company also suggested that a planned move to a primary US listing may reduce the feasibility of continued diversity reporting.

Female representation is concentrated in central functions such as HR, Finance, Accounting and Legal, while operational roles, key feeders into senior leadership, remain overwhelmingly male. Although the company acknowledged difficulties attracting women into these roles, it has not undertaken formal assessments to identify barriers or implement corrective actions. Succession planning relies primarily on internal progression, with limited use of external recruitment. Diversity considerations do not appear embedded in recruitment or promotion decisions. Inclusion efforts are similarly minimal, with the company relying mainly on legally required training and no dedicated initiatives to support talent progression.

**Outcome:** The company's approach to gender diversity remains largely passive and lacking strategic intent. The absence of targets, data, accountability, and dedicated initiatives limits progress at executive and board levels. Reliance on organic change within a constrained pipeline, alongside reduced transparency linked to a potential US listing, raises ongoing stewardship concerns and supports the case for continued, more assertive engagement.

## THE INFRASTRUCTURE RENEWABLES GROUP - Governance

**Objective:** To engage with the chair to understand the implications, rationale, and strategic direction following the abandoned merger discussions between TRIG and another infrastructure trust (HICL).

The proposed merger was called off following significant opposition from HICL shareholders. There was significant shareholder backlash citing concerns around valuation, asset-class mismatch, and the perceived disproportionate benefit to TRIG which ultimately led HICL to withdraw and conclude that it could not proceed without substantial majority support from its investors.

As investors in both HICL and TRIG, it was important for us to speak with the chair and understand TRIG's perspective following the dissolution of the proposal. The meeting focused on the implications of returning to a standalone strategy, performance, shareholder value, and the governance considerations raised throughout the process.

**Outcome:** The discussion provided insight into TRIG's plans going forward as a standalone strategy. The meeting confirmed the current categorisation of the fund.

## UNICREDIT - Governance

**Objective:** We engaged the company's senior Investor Relations representative to discuss concerns over historic remuneration rewards made to the executive team.

Our proxy advisor raised concerns related to the CEO's 2025 pay outcome, a significant part of which was driven by a share-based deferred portion of the long-term incentive award that benefited from an apparent 30% upward discretionary adjustment. This award is in the context of very strong share price performance over the past few years, however, discretionary upward adjustments to pay outcomes without a compelling rationale are not considered best practice and are not something we typically support. On engaging with the company, the classification of the payment as 'discretionary' was contested and UniCredit highlighted that this was a mechanical multiplier adjustment that is outlined in the remuneration policy that was approved in 2022, whereby when a top quartile relative shareholder return goal is met alongside meeting all other KPIs a 30% multiplier would be to the relative returns outcome. The company highlighted where this is stated in their remuneration policy.

**Outcome:** On engaging the company, we agree that it a mechanical adjustment aligned with the company remuneration policy approved by shareholders in 2022, rather than a discretionary adjustment. We voted to support management on this item at the 2026 AGM.

## WORLDWIDE HEALTHCARE TRUST - Governance

**Objective:** To meet the new chair and discuss the composition of the board going forward, as well as the trust's responsible investment disclosures.

The meeting was held to introduce the new chair, he has been on the board for a couple of years and has a background in financial services, and specifically the investment trust sector. We had a frank discussion with him and the exiting chair on issues that we have engaged previously on. These included manager representation on the board, signatory status of the Principles for Responsible Investment (PRI) and responsible investment disclosures. In regards manager representation, the new chair will consider this through the lens of shareholder views. He noted that for some shareholders (like Quilter Cheviot) this is a significant issue, whilst others are less concerned. We reiterated our view and that unless there is a change, we will vote against the manager representative at the next AGM.

We discussed the manager's responsible investment approach and the trust's disclosures. It seems that there is a significant gap between what the board and shareholders receive in terms of disclosures. We reiterated our ask for public voting disclosure and rationales, engagement examples as well as more detail on how the manager integrates ESG. We also noted that the exclusions listed by the manager, are all areas that the trust's mandate would not permit it to invest in and therefore were not pertinent. On the question of the manager's PRI signatory status and general approach to responsible investment we agreed that we would follow up through our annual ESG RFI process and engagement. Finally, we had a general discussion about the investment trust sector and the role of Saba.

**Outcome:** We will continue to monitor the board composition, as well as engage for further responsible investment disclosure. Given the positive nature of the discussion and changes to the board (over-tenured chair exiting) the board effectiveness RAG rating has been upgraded.



# Fund engagement

**We invest in funds managed by other investment firms. Below are some of the third-party fund engagements we have carried out over the last quarter. We will at times anonymise engagements where we feel it would be unhelpful to disclose names. We track the developments and outcomes over time. The engagements are split into four areas:**

- 1 The firmwide approach to responsible investment
- 2 Manager and strategy approach to responsible investment
- 3 Engagement on ESG risk and exposure
- 4 The firmwide approach to net zero

## ROYAL LONDON ASSET MANAGEMENT

**Objective:** We invest in several Royal London (RLAM) funds, and we met with the Head of Responsible Investment for a general discussion regarding the current environment for responsible investment.

This was not a focused discussion on aspects of RLAM's approach to responsible investment but rather an opportunity for us to share thoughts. One area was how wealth and institutional managers should align on how we categorise funds in line with the Sustainability Disclosure Requirements (SDR) regulation in the UK. A further topic for discussion was how we each utilise ESG data in our responsible investment frameworks.

**Outcome:** This was a useful opportunity to discuss big picture topics with one of the third-party managers we invest with.

## UBAM BIODIVERSITY RESTORATION FUND

**Objective:** To understand the UBAM Biodiversity Restoration Fund's strategy and evaluate its ESG and impact credentials in alignment with our responsible investment approach.

We met with the UBAM Biodiversity Restoration Fund team to gain a deeper understanding of the fund's investment strategy and explore how biodiversity considerations are embedded within its approach. The discussion focused on the underlying philosophy guiding the fund, the processes used to identify and assess companies contributing to biodiversity restoration, and the integration of ESG and impact frameworks across the portfolio. The fund managers outlined a defined investment framework that integrates ESG assessment and impact considerations at each stage of the investment lifecycle. This includes screening, fundamental analysis, and ongoing monitoring aligned with recognised nature-related standards. The team highlighted that the fund uses a combination of proprietary and external metrics to evaluate biodiversity impact. This includes efforts to quantify contributions to ecosystem restoration, reduction of negative environmental pressures, and alignment with global nature targets. The meeting also provided an opportunity to evaluate the robustness of the fund's impact measurement practices and assess alignment with our own responsible investment principles.

**Outcome:** The discussion helped clarify the fund's thematic focus, stewardship practices, and expected outcomes related to biodiversity preservation and ecosystem restoration. This was an insight driven first engagement to learn more about the fund's philosophy, the team, and its approach; the meeting confirmed the current RI categorisation.

# Overview

Quilter Cheviot's discretionary investment management services are for anyone looking for highly personalised wealth management. Our services are for private clients, charities, trustees, and professional partners with straightforward or more complex financial needs.

When we refer to the universe of holdings covered by our responsible investment approach this is what is included.

| Activity            | Universe                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Voting <sup>1</sup> | <p>Discretionary holdings within the global equity and investment trust monitored lists where we have voting rights.</p> <p>Discretionary holdings in UK listed companies which are IM (investment manager) led ideas where we own more than 0.2% or £2 million of the market cap.</p> <p>MPS (Managed Portfolio Service) Building Blocks</p> <p>Sustainable Opportunities Balanced Fund and Sustainable Opportunities Growth Fund<sup>2</sup></p> <p>Quilter Cheviot Global Income and Growth Fund for Charities</p> <p>Quilter Investors Ethical Fund</p> <p>AIM Portfolio Service</p> <p>Quilter Cheviot International Funds</p> <p>Libero Balanced Fund</p> |
| Engagement          | <p>Centrally monitored holdings</p> <p>AIM Portfolio Service holdings</p> <p>UK holdings where we own more than 0.2% or £2 million of the market cap (governance matters only)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| ESG integration     | Centrally monitored holdings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

Where clients wish to vote their holdings in a specific way, we will do so on a reasonable endeavours basis; this applies whether the investment is in the core universe or not, and also to overseas holdings.

As at 31 December 2025, Quilter Cheviot's Assets under Management (AuM) was £32.5 billion. Of this £30.5 billion are centrally monitored which represents the core of our responsible investment universe.<sup>3</sup>

We invest directly and indirectly:

| Asset class                                                  | Direct                                         | Indirect                   |
|--------------------------------------------------------------|------------------------------------------------|----------------------------|
| Equities                                                     | Predominantly UK, US and Europe                | All geographies            |
| Fixed income - sovereign                                     | Predominantly in the UK                        | All geographies            |
| Fixed income - corporate                                     | Limited number of issuers                      | All geographies            |
| Infrastructure                                               |                                                | Only via third-party funds |
| Property                                                     | Exposure to the sector through equity holdings | Third-party funds          |
| Private equity                                               |                                                | Only via third-party funds |
| Alternative income, hedge funds and absolute return vehicles |                                                | Only via third-party funds |
| Commodities                                                  |                                                | Only via third-party funds |

1 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 Crest Depository Interests (CDIs), ADRs or GDRs are held. Ability to vote on these holdings differs on a case-by-case basis.

2 Prior to 8 September 2025, these Funds were known as the Climate Assets Balanced Fund and the Climate Assets Growth Fund.

3 The data exclude client cash held across multiple currencies in client portfolios as well as investment manager (IM) led ideas (£0.19 billion) and other (£0.73 billion) which represents a long tail of legacy holdings, in some cases the position will only be held by one client.

# RI Reels

*Insights into Quilter Cheviot's approach to responsible investment, as well as topical issues.*



## Disposable Disclosures

Yumna Yusuf is joined by Greg Kearney, Senior Responsible Investment Analyst at Quilter Cheviot, to discuss **disposable disclosures, and why they matter for investors.**

Watch time: 6 minutes

[Watch vlog](#)

# Responsible Investment at Quilter Cheviot

## Our solutions



### Active Ownership and ESG Integration - for all discretionary clients

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

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



### A Direct Equity Approach\* - DPS 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. Positive screening relates to the process of only including companies that reach a certain performance threshold. Negative screening excludes companies involved in pre-defined activities or controversial practices. This ensures more emphasis is placed on ESG risks beyond the firm-wide approach to active ownership and ESG integration which forms the basis of the Aware categorisation.



### A Funds-Based Approach - Positive Change

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



### Sustainable Investment - The Sustainable Opportunities Funds\*\* and Strategy

Through an actively managed multi-asset approach, these 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.



### Ethical And Values Oriented Investment - Client Specific

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



### Client Preferences

We have identified three client preference categories: Aware, Engaged and Dedicated. For existing clients, we have categorised these in accordance with their current investment strategy, however the adviser/ investment manager reviews this with the client regularly. For example, if the client already invests in Sustainable Opportunities Funds or strategy then this would be aligned to the Dedicated category; similarly, for Positive Change this would align to the Engaged category. The majority of clients will be aligned to the Aware category. The Aware category reflects the Quilter Cheviot firmwide approach to responsible investment which incorporates stewardship (voting and engagement) as well as integration of ESG considerations within the investment process.

\* For UK, North American and European equity holdings

\*\* Sustainable Opportunities Balanced Fund and Sustainable Opportunities Growth Fund.

# Glossary

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

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

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

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

*Source: US Securities and Exchange Commission*

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

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

Carbon pricing has emerged as a key policy mechanism to curb and mitigate the dangerous impacts of greenhouse gas pollution and drive investments towards

cleaner, more efficient alternatives.

*Source: CDP*

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

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

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

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

*This is one of the three Quilter responsible investment priorities.*

*Source: Intergovernmental Panel on Climate Change (IPCC)*

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

**Disapplication of pre-emption rights:** Existing shareholders do not have first refusal on new shares and

therefore their holdings will be diluted.

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

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

**Environment** - relating to the environment.

Examples include resource, water and land use, biodiversity, pollution, atmospheric emissions, climate change, and waste.

**Social** - relating to the relationship between

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

**Governance** - relating to the governance of an

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

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

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

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

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

Source: Morningstar

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

**Greenhouse gases (GHG):** Greenhouse gases (GHGs) are carbon dioxide, methane, nitrous oxide, and ozone. They account for a tiny fraction of the atmosphere, but they are a critical part of the overall atmosphere composition

as they play a significant role in trapping the earth's heat and warming our planet. Since industrialisation, GHG concentrations have rocketed, warming the planet at unprecedented rates. The major cause of the increase in carbon emissions has been the use of fossil fuels in producing energy.

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

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

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

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

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

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

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

**Net zero:** Achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. Where multiple greenhouse gases are involved, the quantification of net zero emissions depends on the climate metric chosen to compare emissions of

different gases (such as global warming potential, global temperature change potential, and others, as well as the chosen time horizon).

Source: IPCC

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

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

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

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

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

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

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

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

Source: PRI

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

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

**Short-term incentive plan (STIP):** A type of executive compensation scheme that seeks to align a proportion of

overall executive pay with a company's short-term strategy. STI have a performance year of one year or less and are typically paid in cash but may also be paid in shares.

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

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

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

Source: Financial Reporting Council (FRC)

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

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

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

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

Source: EU Directive

**Task Force on Nature-related Financial Disclosures (TNFD):** TNFD was formed to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature related risks. The

ultimate aim is to support a shift in global financial flows away from nature-negative outcomes and towards nature-positive outcomes.

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

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

*Source: United Nations*

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

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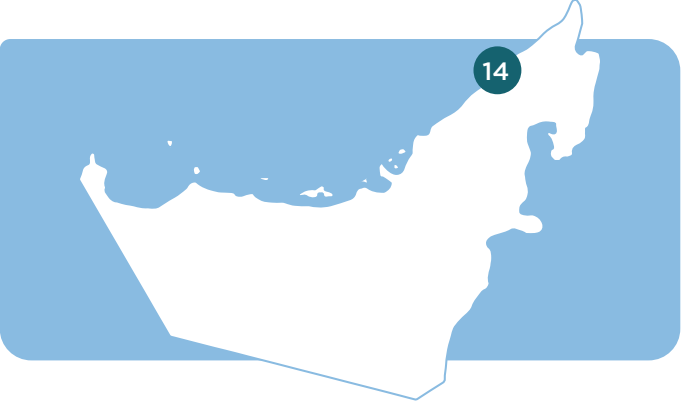
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# Our experts are here to help you





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