QUILTER CHEVIOT

RESPONSIBLE INVESTMENT

Climate Action Plan 2025

SPECIALISTS IN INVESTMENT MANAGEMENT

Approver: Quilter Cheviot Limited, 4 June 2025.

Contents

Andy McGlone
Chief Executive Officer

Our commitment: a message from our Chief Executive Officer

We consider climate change to be the defining issue of our time. The risks posed by the increasingly severe and erratic impacts of climate change present a fundamental and material risk to our planet, our people, and our investments.

As investors, we have a unique ability to influence companies and assets we invest in, and a responsibility to consider the risks climate poses to their viability. Climate risk is, fundamentally, investment risk. This climate action plan is an acknowledgement of the role we can play in contributing to a lower carbon future and outlines the actionable measures we will take accordingly.

Being a responsible investor is a core value for Quilter Cheviot. Although it is not without its challenges, actively addressing our climate impacts reflects this. It is incumbent on us and our peers in the financial services industry to contribute to the global decarbonisation needed to achieve the ambitions of the Paris Agreement. We are not alone in recognising the role financial services must play in the global transition. Governments have introduced climate-related regulations, requiring financial actors to disclose the climate impacts of their products, and clients increasingly expect climate-related risks to be considered within investment processes.

We believe understanding and reducing our climate impacts aligns with our fiduciary duty to protect the future value of our clients' investments. We have already begun to see the very real impacts of climate change on economic markets. Access to insurance has been withdrawn[1] from areas exposed to more frequent climate events (fires, flood, storm impact), and there have been price shocks in commodities[2] driven by shifting weather patterns (drought, unseasonable temperature changes). We acknowledge there are limitations to what we can accomplish to address these impacts, but sharing our plan of what we are able to undertake is among the best ways we can support the global transition.

Andy McGlone
Chief Executive Officer

1 State Farm won't renew 72,000 insurance policies in California - Los Angeles Times; How wildfire risk and extreme heat impacts insurance sector | World Economic Forum; Florida, other states beg insurers not to drop climate-threatened homes; Climate change is fuelling the US insurance problem - BBC Future; Climate Change Is Destabilizing Insurance Industry | Scientific American

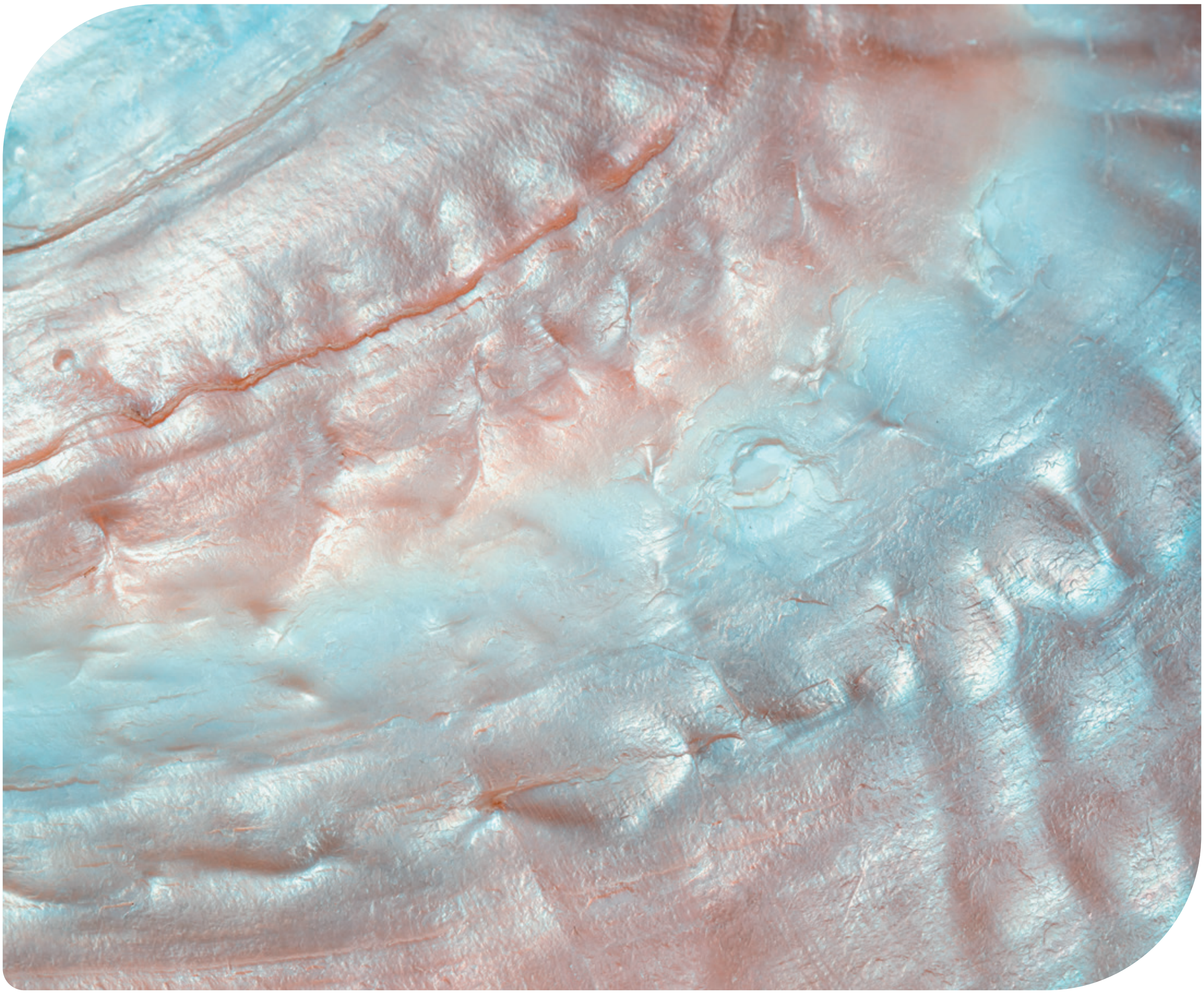
2 Soaring cocoa prices: Diverse impacts and implications for key West African producers | IFPRI; Easter egg prices soar as cocoa crops are hit by climate crisis and exploitation | Chocolate | The Guardian; Climate change is pushing up food prices — and worrying central banks

Introduction

This is our first formalised Climate Action Plan and it is a living document, in that we will update and refine this over time. We have been mindful of the dependencies a wealth manager has to navigate to develop a climate strategy and are very aware of the potential pitfalls faced by investors making net zero commitments without all the evidence to hand. Having said that, we do not want to lack ambition in this area so are excited to take this first important step.

This plan aligns with Quilter's climate ambitions related to investment activity, where we aim to:

- use our levers as an investor to contribute to the Just Transition to a low-carbon economy, through direct and collaborative engagement and voting with companies and fund managers
- ensure our investment portfolios are resilient to climate change risks, by integrating environmental considerations primarily through research, due diligence, and information for use in our investment processes and stewardship activities.



Aims

The aims of this Climate Strategy are to present our approach to measuring, monitoring, and reducing the climate impacts of our investments[3]. There are three core principles guiding this strategy.

Be a responsible steward

Measurable impacts

Materiality-led strategy

Be a responsible steward

We firmly believe in the importance of having investors who care about an asset 'at the table'. Although it would be straight-forward to simply divest from the more carbon-intensive sectors and so 'decarbonise' our investments, we feel it is much more effective to work with the companies we invest in to reduce their climate impacts in the longer-term.

An integral part of this is embedding accountability in our climate strategy and commitments. Quilter Cheviot's climate strategy is supported by our CEO, Andrew McGlone. We have set ourselves time-bound milestones (see Timeline) towards achieving our climate ambitions, including setting formal decarbonisation targets for our investments. In keeping with this, our climate strategy as follows is fully in support of a Just Transition.

Measurable impacts

It is critical for our climate approach and commitments to be based on quantifiable, comparable metrics. To set a target with an unclear or undefined pathway to achieving it is both counter-productive to Quilter Cheviot and ultimately undermines the larger movement for financial firms to support the economic transition. We believe third-party frameworks to be a valuable resource for standardising and ensuring the rigour of climate targets and strategies and incorporate these into our work as much as is appropriate.

Materiality-led strategy

It is commonly acknowledged that specific sectors are more critical to decarbonise than others, due to their disproportionate emissions impact in their current state[4]. We intend to focus on achieving material gains in decarbonisation, by working with our heavy emitters and those actors for whom an accelerated transition would make the greatest difference in terms of global decarbonisation.

We acknowledge there are constraints on some of the assets we invest in – including structural limitations of some asset types, methodological gaps, and other checks on our influence over our assets. This strategy aims to capitalise on the influence we do have, where possible.

The nature of the challenge to decarbonise the global economy requires us to acknowledge certain dependencies, most crucially on governments, as well as on our peers within the financial services industry, and the companies we are relying upon to join us in taking action. Any efforts we make to decarbonise, including setting net zero alignment targets, depends on the actions of others. Without a supportive and consistent policy environment, all of us will struggle to enact the changes necessary to restrict global warming to 1.5°C.

3 For further detail on efforts to decarbonise our operational impacts, please see Quilter's approach to corporate sustainability.

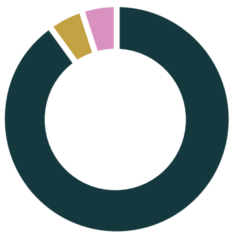
4 These include sectors as defined by NZIF (Net Zero Investment Framework) as 'high impact' sectors; as well as the Nomenclature of Economic Activities (NACE) Material sectors.

Context

Our active ownership approach to stewarding our assets on behalf of clients comprises different levers of influence: engagement, voting, collaboration, and industry advocacy. Which tools are most applicable and effective across different asset classes will vary. For us to assess the climate impacts of our assets, it is critical that we understand which tools are most appropriate and most effective in gauging and, ultimately, reducing these assets' climate impacts.

As a discretionary investment manager there are three categories of holdings split between direct and indirect (third-party funds)[5]. As at 31 December 2024, our AuM was £29.5 billion. The centrally monitored holdings are included in our emissions' calculations.

AuM by category



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

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

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

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

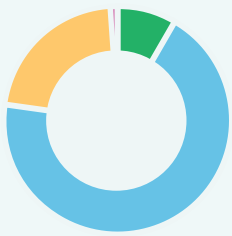
Centrally monitored holdings direct and indirect

(held through third-party funds)

- AuM by indirect 58.2%
- AuM by direct 41.8%

Centrally monitored holdings by asset class

(look-through of direct and indirect holdings)



- Alternatives 8.5%
- Equities 69.1%
- Fixed income 21.6%
- Cash products 0.8%

Source: Quilter Cheviot as of 31/12/2024

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

Our focus is on the centrally monitored holdings which include the following categories:

Direct equities and corporate bonds: engagement directly with the issuer is the most effective tool we can use to assess the climate impact of these assets. We often have established relationships and ongoing dialogues with many of our direct equity holdings, including through collaborative engagements alongside other investors. Voting is utilised to further our agenda for our direct equity holdings, and our voting policy considers climate-related issues.

Sovereign bonds: we do not engage directly with sovereigns, and these are non-voting assets. Sovereign bond analysis can be limited for developed markets but could increasingly incorporate climate risk in the future.

Funds: of particular relevance for our assets is how we address holdings in third-party funds. We invest via third-party funds across asset classes, and for alternatives, solely through these. Engaging directly with underlying holdings within these funds (c.46,500 holdings) presents a challenge, therefore our focus is on how the third-party managers approach the management of climate-related risks and the transition to net zero. Determining the climate impact of these assets presents the most significant challenge to us accurately setting a decarbonisation commitment for our assets.

Our journey

We have put in place the foundations for this plan over the last four years.

2017
- Quilter Cheviot attained Tier 1 signatory status for the 2012 UK Stewardship Code

2018

2019
- Quilter became a signatory to the United Nations-backed Principles for Responsible Investment (PRI)
- Responsible investment representation on the Quilter Cheviot Investment Oversight Committee

2020
- Quilter became a signatory to the 2020 UK Stewardship Code

2021
- Quilter joined the Institutional Investors Group on Climate Change (IIGCC)
- Quilter signed the Investor Agenda's Global Investor Statement on the Climate Crisis
- Quilter Cheviot intitiated thematic engagement program assessing climate transition plans among heaviest emitters in direct equity investment universe
- Quilter published a statement supporting the goals of the Paris Agreement
- Developed Quilter Cheviot voting policy on climate related issues
- Quilter set Scope 1 and 2 targets relating to its operational emissions target

2022
- Quilter published its first disclosures aligned to TCFD for 2021
- Responsible investment preferences incorporated within the advice and suitablility processes across the Group
- Quilter Cheviot launched the Climate Assets Growth Fund, 12 years after the Balanced Fund
- Quilter Cheviot participated in the CDP campaigns focused on encouraging target companies to disclose climate and other related data and to join the Science Based Targets Initiative (SBTi)

2023
- Quilter Cheviot participated in the IIGCC Net Zero Engagement Initiative, Climate Action 100+, Nature Action 100 collaborations
- Quilter Cheviot initiated engagement program assessing third-party fund alignment to firm's Net Zero Asset Managers (NZAM) commitments
- Quilter Cheviot participated in the CDP campaigns focused on encouraging target companies to disclose climate and other related data and to join the SBTi

2024
- Quilter Cheviot participated in PRI Spring collaboration
- Quilter Cheviot enhanced climate-related voting policy
- Quilter Cheviot joined Wealth Managers for Climate and the IIGCC External Fund Manager Working Group
- Quilter Cheviot representation on the Advisers' Sustainability Group

2025
- Quilter Cheviot published its Climate Action Plan for investments

Publishing this strategy is the latest milestone in our work towards effectively managing and addressing the climate impacts of our investments. Our next steps are outlined below.

2025

- Completing a climate baseline of all assets in our monitored universe, in preparation for a commitment to an appropriate climate framework such as the Net Zero Asset Managers Initiative (NZAM). This will include completion of the climate expectations guides (see Our Levers). We anticipate completing this before the end of 2025.
- Align with industry best practice in climate, with climate targets disclosed within a year.
- Launch internal climate upskilling programme. In its first year, we will focus on publishing Climate Materiality Guides for our research teams and providing climate education to our investment colleagues over the course of 2025.
- Disclose our Climate Alignment Test monitoring KPIs in our Responsible Investment annual report. This will be included from 2025 onward.

2026

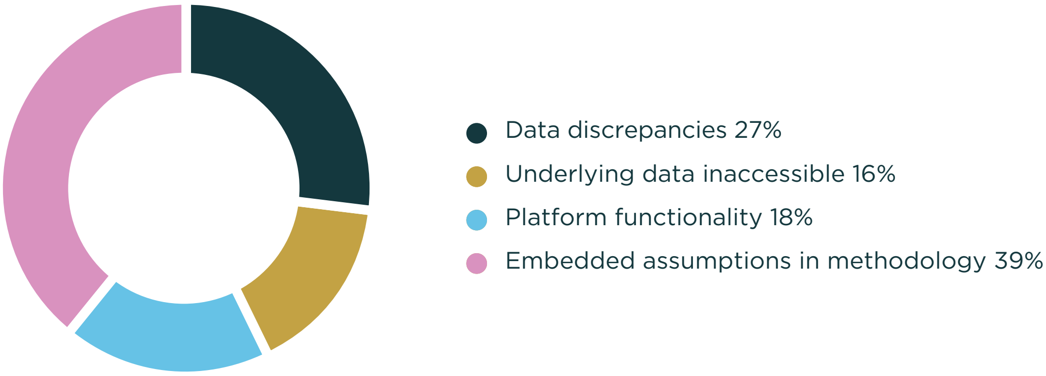
- Set climate targets for investments before end of year.
- Explore feasibility of setting an SBTi-validated target.
- Develop and disclose an updated Climate Strategy integrating climate targets into our existing framework.
- Align our Climate Strategy with the framework recommendations of the Transition Plan Taskforce (TPT).
- Conduct alignment feasibility review specifically for sovereign assets.

Data

Ensuring that relevant climate data are integrated into our investment research process has been an ongoing project overseen by our Responsible Investment team. Climate data is integrated into our research investment processes in the form of ESG dashboards for equities and, from late 2025, funds. These dashboards contain industry group-relevant metrics and facilitate comparison between different holdings. Salient climate factors are included in every industry and include whether holdings have climate commitments in place (with detail, i.e. validated versus a self-defined target), carbon intensity of outputs, total emissions, Scope 3 emissions, and the CDP climate disclosure score. We have recently revised many of the data inputs for these, following the onboarding of a new climate data provider.

We recognise the importance of climate-related data in our investment and stewardship processes, and, equally, acknowledge the challenges in ensuring the quality and availability of these data. We conduct extensive ongoing engagement with data providers, including monthly reviews of all data issues flagged and proposed resolutions. We track the type and outcome of each data issue flagged and use these in quarterly meetings with data providers to set expectations for improvements, as shown below. Many of these issues have already been addressed by our climate data provider with the provision of new, increasingly granular data points, and other measures to increase the transparency of the data we are using.

Climate data engagements 2023-2024



Total data issues raised with climate data provider (MSCI), October 2023-October 2024. Total number of issues was 51, according to the following categories: data discrepancies (14), underlying data inaccessible (8), platform functionality (9); and embedded assumptions in methodology (20).

We also undertake a climate comparison for our core investment models, which tracks forward-looking climate metrics on a six-monthly basis, including Implied Temperature Rise (ITR) and Paris Alignment of holdings. This is provided for our research analyst teams and presented to our Investment Oversight Committee for review.

Reporting

Sharing pertinent climate-related data with our clients underpins our Taskforce on Climate-related Financial Disclosures (TCFD) reports. We have designed our product-level reports to be as user-friendly as possible, as we recognise many are unfamiliar with the numerous acronyms and complex metrics depicted in these. We include descriptions in our extended glossary with worked-through examples of the calculations behind each metric. To support client comprehension of these metrics, we also produced a short video walking through our TCFD product-level reports, explaining what each metric tells us about a strategy (and its limitations) and how we calculate it. Resources like this aim to be more accessible and user-friendly which, in turn, hopefully increases client engagement with these reports.

In addition to our regulatory reports, we provide bespoke portfolio-level client reports with detailed climate metrics. The featured metrics are often driven by specific client interests, or areas where the client is seeking further information, for instance, a deeper dive into which of the holdings within the portfolio is driving a higher overall ITR; or a sectoral analysis of a portfolio's financed emissions, highlighting the greatest contributors. When we produce these reports, members of the Responsible Investment team present them alongside our investment managers to support clients' understanding and answer further questions. The feedback we receive from clients in these sessions continues to inform the reporting outputs we provide.

For more information on our TCFD disclosures, please visit our website.

Client preferences

We introduced responsible investment preferences within the advice and discretionary investment management businesses across Quilter in 2022. Through this process, advisers and the investment managers within Quilter Cheviot integrate a client's responsible investment preferences within our advice and suitability processes. This enables our clients to evaluate these preferences alongside risk and desired investment returns, and to invest in line with their values and needs. Every client has their own requirements around risk appetite, ability to bear loss, income requirements as well as the investment time horizon.

Client preferences allow us to better ensure that clients' requirements are matched to an appropriate strategy, as well as highlighting areas where there is demand for different strategies that we should consider introducing. We categorise holdings in line with these preferences to clearly identify which investments are permitted within each preference, using both quantitative and qualitative inputs. For more information on how we categorise client preferences, holdings and strategies please read our Responsible Investment Policy.

Product offering

Providing suitable investment products for our clients' investment preferences is also key to Quilter Cheviot's processes. We capture client-specified preferences as outlined above, as well as through biennial client surveys to understand their views in greater detail. We utilise these data to inform our future proposition and look to evolve our offerings to remain in line with our clients' expectations.

Our levers

Our approach to addressing our climate risk is driven by our climate stewardship work. This is where we have influence, appropriate resource, and, importantly, a track record to date. We have mapped our climate stewardship strategy across our investment universe, comprising the measures and outputs we intend to form Quilter Cheviot's approach to climate. Where this applies differently across different asset classes, we have indicated as much.

Please note that, at this stage, sovereign assets are excluded from our climate stewardship framework. We are actively working towards integrating these assets into our approach. Part of our baselining exercise will include a feasibility alignment exercise, where we review existing sector guidance in aligning sovereign assets to:

- the Transition Pathway Initiative's Assessing Sovereign Climate-related Opportunities and Risks [ASCOR] tool
- emerging IIGCC guidance[6]
- the Climate Change Performance Index [CCPI][7]
- and tools from Climate Action Tracker [CAT][8]).

Establish expectations

Establishing and communicating our expectations as an investor to our holdings is a crucial first step in assuming responsibility for the climate impacts of our investments. We are fully aware of how uneven and inequal the risks and impacts of climate change are across different sectors and assets.

Equities

We intend to set **sector-specific climate expectations**, identifying the key metrics and considerations we expect to see from a holding in its disclosures and strategy (e.g. transition plan). These will be reviewed on an annual basis and shared as appropriate with our holdings. Company performance against these criteria will form the basis for their alignment grading in our targets.

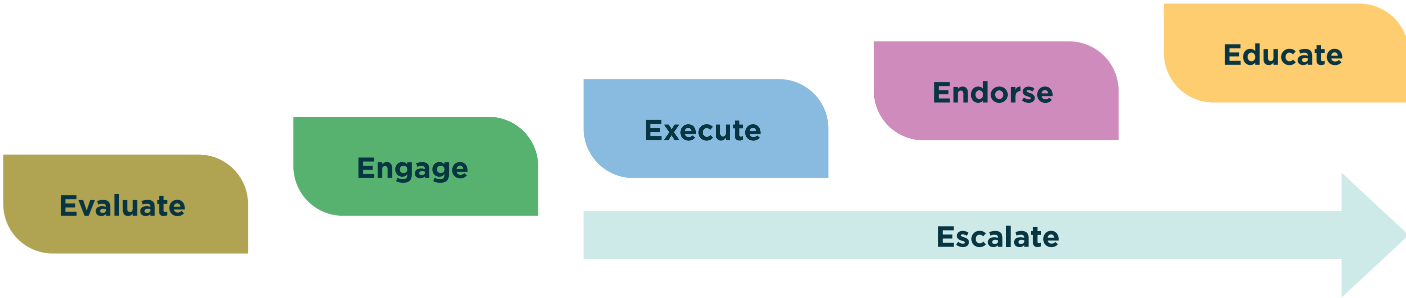
Third-party funds

For funds, we intend to develop similar **climate expectations**, with adaptations for fund types (e.g. index trackers versus actively managed) and regions (e.g. emerging markets). We expect this work to be iterative, as we are involved in several initiatives working towards developing applicable tools for these assets. We will share these with relevant holdings as part of our existing annual ESG RFI[9] process for all third-party funds. The information we collate from these will form the basis of climate alignment gradings used in our targets.

We acknowledge there are some economic activities which are incompatible with the climate transition. Quilter Cheviot aims to develop a clear investment policy around specific aspects of fossil fuel exploitation, namely: thermal coal, hydraulic fracking, tar sands, deepwater oil and gas, and Arctic oil and gas.

6 IIGCC sovereign bond target setting and implementation guidance 2024.pdf
7 Climate Change Performance Index (CCPI)
8 Home | Climate Action Tracker
9 Environmental, Social and Governance Request for Information

Our framework



The execute stage is more relevant for holdings where we have control over the voting rights.

Evaluate

Evaluating the baseline alignment and performance of our assets with climate metrics is perhaps the most critical, enabling step in our process. Our approach is a balance of quantitative (data-driven) and qualitative assessment. The metrics which form the quantitative element of our approach need to be appropriate, insightful, transparent, and granular.

Appropriate

There is little value in including a metric which lacks sufficient data coverage across our assets to be meaningful. Similarly, there are metrics which become confused when aggregated across different asset classes; being mindful of where this can be misrepresentative is important. We also believe in providing industry-comparable figures; for instance, we report our TCFD metrics in US Dollars (USD) to ensure clients can compare the climate metrics of our financial products with those of other firms.

- Weighted Average Carbon Intensity (WACI)
- Science-Based Targets Initiative (SBTi) validated target

Insightful

Our view of climate metrics, as with any data, is that they are only as valuable as they are digestible. It is crucial to include relevant context around a metric which aids its meaning; the source (reported or estimated), date (data 'freshness'), and calculation assumptions made are all relevant details which enable interpretation of the end metric. To exclude elements like these is to ultimately present a misleading figure and simultaneously make it more challenging for the reader to judge its value.

- Temperature rating[10]

Transparent

We source our underlying data from multiple providers, including several open-source data platforms and initiatives. We place particular value in datasets from industry trusted sources, especially for their clear and tangible methodologies. Data sources we utilise to this end include CDP (formerly Carbon Disclosure Project), Transition Pathway Initiative (TPI), Climate Action 100 Benchmark (CA100+), the Science-Based Targets Initiative (SBTi), and the World Benchmarking Alliance (WBA).

- WACI, Scope 1-3 emissions
- Qualitative assessments

Granular

It is key for climate data being used in metrics to be as close to issuer-level as possible. Although we understand the value that aggregated scores can provide, our metrics focus primarily on underlying, issuer-level data.

- Scope 1 and 2 emissions[11]
- Scope 3 emissions[12]

10 We make reference to both Implied Temperature Rise (ITR) and Temperature Ratings in this document. Our systems currently track ITR, but we are transitioning our data systems towards calculating and utilising Temperature Ratings (CDP-WWF methodology, v 1.5). We consider the open-source methodology behind this metric to better serve the broader, cross-sector efforts needed to achieve the ambitions of the Paris Agreement.

11 Following our data hierarchy: for Scope 1 and 2 emissions, this will defer to the more recent and reported value. For Scope 3 emissions, our systems will defer to the higher value after applying a threshold 'sense-check' to reported and estimated figures. This is to control against companies under-reporting their Scope 3 emissions, or reporting only select, less material categories of Scope 3 emissions.

12 These will be tracked for all assets, including those in what are considered 'high impact' or 'material' sectors (per the Net Zero Investment Framework and Paris Alignment Investment Initiative, respectively).

Metric	Definition	Rationale for inclusion
Scope 1 emissions	The direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the company. Scope 1 emissions result from a company's internal operations, including on-site energy production, vehicle fleets, manufacturing operations, and waste.	Greenhouse gas emissions (GHGs) are driving the climactic shifts comprising climate change. Understanding the quantifiable impacts of each company, in the form of their emissions, is fundamental to our ability to track and monitor the climate impacts of our assets.
Scope 2 emissions	The indirect greenhouse gas (GHG) emissions attributable to operations that are owned or controlled by the company. Scope 2 emissions are those generated in the production of energy (electricity, steam, heat, and cooling) which is purchased by a company. For purchased electricity, organisations are expected to report Scope 2 emissions using both 'location-based' and 'market-based' methods.	Greenhouse gas emissions (GHGs) are driving the climactic shifts comprising climate change. Understanding the quantifiable impacts of each company, in the form of their emissions, is fundamental to our ability to track and monitor the climate impacts of our assets.
Scope 3 emissions	These are all indirect emissions (not included in Scope 2) that occur in a company's value chain, including both upstream and downstream emissions (e.g., business travel, waste, use phase, transportation of goods). Often referred to as 'supply chain' emissions.	Greenhouse gas emissions (GHGs) are driving the climactic shifts comprising climate change. Understanding the quantifiable impacts of each company, in the form of their emissions, is fundamental to our ability to track and monitor the climate impacts of our assets. Although Scope 3 emissions are often more complex – because they are indirect and require information from an entity's suppliers – these are crucial to understanding the full impacts of an asset's activities and products. The quality of these data is continuing to improve. In the meantime, we believe using credible estimation models[13] ensures a more comprehensive consideration of climate impacts, which is preferable to knowingly underestimating these.
Weighted Average Carbon Intensity (WACI)	A portfolio's exposure to carbon-intensive holdings, expressed in tonnes CO_2e/\$m revenue.	Carbon intensity figures serve as useful comparators; in the case of WACI, it compares the emissions of an asset against its outputs. This allows a reader to easily compare the relative carbon 'performance' of an asset or portfolio with others, regardless of the size or composition of a strategy.
Science-based targets (SBT) alignment	Proportion of a portfolio where holdings have set a validated science-based target.[14]	SBTs are a key indicator of an entity's direction of travel on climate. By setting binding targets, companies/firms are providing a clear commitment of resources towards decarbonising its operations and activities. This provides investors with a degree of confidence that there will be continuity in an asset's efforts to decarbonise.
Temperature rating	Estimation of alignment of company's emissions with the goals of the Paris Agreement (limiting global temperature increase to 1.5°C).	This metric provides a high-level indication of how aligned (or misaligned) a company or firm's climate efforts are with the ambitions of the Paris Agreement. This metric is based on the decarbonisation commitments of the asset, and is presenting in degrees (°) Celsius, for simple comparison with the threshold set by the Paris Agreement.

13 We utilise MSCI's estimated emissions values for Scope 3 emissions, where acceptable reported values are not available (in keeping with our Data Hierarchy; see note 10).

14 We will be tracking SBTs set and validated through the Science-Based Targets Initiative (SBTi), as well as external targets. Our reporting KPIs will differentiate between these, as we view SBTi-validated targets as best practice.

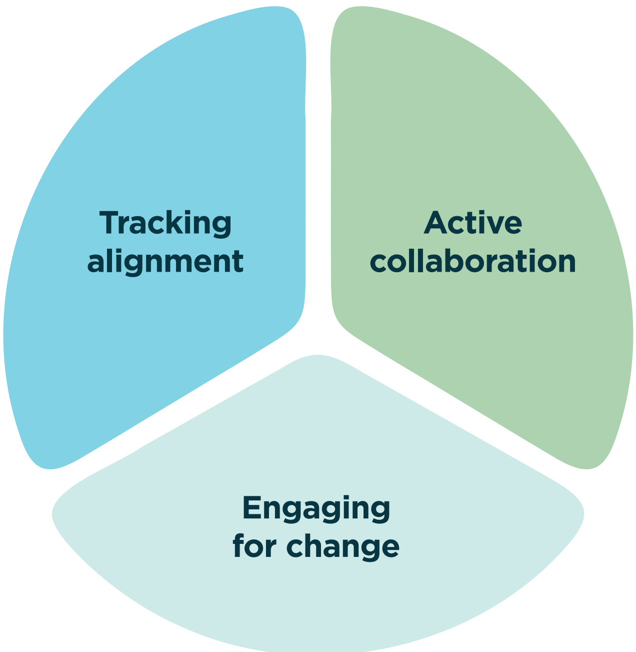
There will be sector-specific metrics which we utilise in addition to these core climate metrics (e.g. output carbon intensity figures). These will be disclosed in sector-specific climate expectations documents produced in 2025.

These quantitative metrics will complement our qualitative alignment assessment. We have developed an asset class-specific Climate Alignment Test (QCCAT) which builds on the structure of the Net Zero Investment Framework (NZIF[15]) alignment criteria and incorporates additional factors for evaluation. Collectively, these will create a climate 'baseline' for our assets in the form of a rating, which we will monitor and will ultimately be the basis of specific climate targets for the firm.

These assessments will cover all assets in our monitored universe. We anticipate completion of the baseline by the end of 2025 and expect these to be updated on an at least a biannual basis thereafter, in support of our specific targets. The resulting climate ratings will be incorporated into our data platforms, to facilitate comparison of the relative climate performance of different assets. We will work alongside our research teams to incorporate the underlying inputs and climate rating into our data dashboards.

Engage

We consider direct engagement to be the most valuable tool in our gift, be it for companies or third-party funds we invest in. Climate has been a strategic thematic engagement priority since 2021. We have designed a climate engagement framework, comprising of a series of recurring direct engagements and our collaborative climate-centric engagement work. These form three categories: **tracking alignment**, **engaging for change**, and **active collaboration**.



15 NZIF 2.0 Report PDF.pdf

Tracking Alignment

These will be our ‘business-as-usual’ monitoring engagements, recurring on a regular basis as specified.

Engagement	Target(s)	Objectives
Taking the temperature: Assessing progress on climate transition plans ***biennially***	Equity holdings representing 90% of financed emissions for centrally monitored equities (inclusive of Scopes 1, 2 and 3)	Review alignment level of holdings. Focus on progress to date, with emphasis on trajectory alignment and greatest obstacles to achieving decarbonisation targets.
Slow to start: assets lacking targets ***ongoing***	Equity holdings lacking a SBTi-validated target where an industry-relevant pathway exists.	Engage for response to ‘ask’ for company to set a target. Understand cited reasons for not complying and engage to influence.
Slipping through the net? Third-party managers and net zero ambitions ***ongoing***	Third-party fund houses with net zero targets (NZAM)	Determine fund-level alignment to NZAM target. Engage to understand alignment approach.
Where’s the net? Third party managers and net zero ambitions ***ongoing***	Third-party fund houses without a net zero target	Engage for response to ‘ask’ for fund house to set a target. Understand cited reasons for not complying and engage to influence.
Climate disclosures ***ongoing***	Asset classes lacking minimum climate disclosures (emissions profile, inclusive of Scope 3) particularly within the Alternatives asset classes.	Engage for response to ‘ask’ for asset to disclose. Understand cited reasons for not complying and engage to influence and educate.

In addition to these recurring engagements, there will be reactive engagements where climate performance undergoes a marked or unexpected shift for an asset (for instance, the removal of existing climate commitments), as well as thematic engagements focused on climate change and natural capital. We would also expect to see additional topical engagements of more narrow focus, for instance, engaging with assets within a given geographic area or sector, to join this list as appropriate.

Engaging for change

There will be a need to engage with the broader industry to enable companies and assets to undertake the changes required to align with the economic transition. This is an area Quilter Cheviot is already active in, and we consider it a crucial element to facilitating the alignment of our assets over time.

Engagement	Target(s)	Objectives
Impacted stakeholders ***ongoing***	Relevant non-governmental organisations (NGOs) and civil society organisations (CSOs) related to asset decarbonisation	Include the experiences of other impacted stakeholders in the climate transition – particularly those often excluded from these discussions, in line with our aims to support a Just Transition.
Policy advocacy ***ongoing***	Public offices and industry groups	Respond to public consultations for both government-affiliated guidance (e.g. Advisers’ Sustainability Group) and industry group initiatives (e.g. IIGCC)
Data feedback ***ongoing (quarterly)***	Data providers	Regular feedback sessions with our most critical data providers, working to enhance data quality and richness.

Active collaboration

Using the strength of collaborative engagements is an essential part of our approach to stewardship more broadly. We join collaborative engagements with the intention to actively participate and lead our discussions with engagement target companies.

Engagement	Target(s)	Objectives
Climate Action 100+ ***ongoing***	Trane Technologies National Grid	Engage with companies to understand their progress in implementing transition plans, in particularly critical sectors.
IIGCC Net Zero Engagement Initiative ***ongoing***	Siemens Tesco	Engage with companies with strong transition plans in place, to understand and share best practice in developing appropriate transition plans.

As at 31 March 2025.

Within our escalation strategy, we will use the instruments available to us to hold companies and third-party funds to account. Escalation measures we consider concentrate around using tools already in our gift – namely, voting measures (direct equity investments only) and industry collaboration.

Execute

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

Transition plan: Where companies are responsible for materially significant emissions of carbon dioxide (or equivalent Green House Gases)[16] we expect to see appropriate management of climate related financial risks and transition planning. Transition plans[17] of investee holdings are a key tool for understanding the decarbonisation trajectories of our investment portfolios. We set the following expectations for company transition plans.

Targets

- Short-term (pre-2035), long-term (2035-2050).
- Inclusive of material emissions.[18]
- Externally validated (i.e. by the Science Based Targets Initiative (SBTi)) where possible.

Disclosures

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

Decarbonisation strategy

- Strategy outlining primary drivers of emissions and key levers to facilitate emissions reductions. This should include a clear trajectory of decarbonisation over time.
- Supply chain decarbonisation strategy – where Scope 3 emissions are material[19]. This should include details of supplier engagement programmes and other key levers to decarbonise the company's supply chain.

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

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

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

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

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

16 We define 'materially significant' in line with the 'high impact' sectors defined in IIGCC's Net Zero Investment Framework (NZIF) 2.0.
17 These may be variously referred to as Climate Action Plans, Transition Action Plans, Climate Transition Plans, or similar.
18 In line with CDP sector guidelines. [CDP Technical Note: Relevance of Scope 3 Categories by Sector]
19 As per SBTi standard, this is when Scope 3 emissions comprise at least 40% or more of a company's overall carbon emissions.

Endorse

Supporting industry initiatives is key to achieving the changes needed for the climate transition. We consider being an active and vocal participant in relevant industry groups an important contribution we can make towards global decarbonisation. We are active participants in several fora focused on climate, including the Wealth Managers on Climate Action, and the IIGCC's External Fund Manager Working Group. Both are focused on climate alignment for third-party managers. There remain numerous challenges to aligning specific asset types, and collaborating with our peers to address these is crucial to closing these gaps in our climate strategies.

Wealth Managers on Climate Action

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

In November 2024 we, alongside several other members of the WMC, sent an open letter to all fund houses in our centrally monitored holdings itemising our climate expectations. The letter included specific examples of best practice and minimum standards for our third-party managers. We are engaging with all recipients of the letter over the course of the next few months, to determine where each manager is meeting these expectations and identify areas for improvement. We intend to share our progress on this response with our peers at the WMC meeting in Q1 2025.

Educate

Among the more tangible and direct measures we can take to mitigate our climate impact is to increase investors and colleagues' understanding of climate's relevancy to our investments. For many, the sea of acronyms and apparent complexity of climate metric calculations is intimidating or even off-putting.

We are developing an internal upskilling programme, inclusive of our research teams and relevant investment colleagues, to encourage greater understanding of these metrics and more broadly how climate risk factors into investments. This will comprise a mixture of in-person teach-ins and recorded sessions, as well as literature resources – in particular, the creation of Climate Materiality Guides. These will suggest relevant climate risk areas for specific sectors or industries, with question guides for analysts to better interrogate the climate credentials and performance of an asset.

Finally, we will introduce measures ensuring that our executives and committees which have responsibility for climate-related activities are sufficiently well-informed.

Baseline metrics

Data in this area are evolving in terms of veracity and coverage; tracking this will be, at times, a moveable feast. We are mindful of this and therefore will select our metrics accordingly. As we track progress over time, we will call out significant changes in coverage and where we are using estimated data. These, and other salient context to our data, are included in our climate data hierarchy, which is employed across Quilter Cheviot.

QC Climate Dashboard

WACI

Corporates 86.6 tCO_2e/\$m revenue

Sovereigns 156.1 tCO_2e/\$m GDP

Carbon footprint

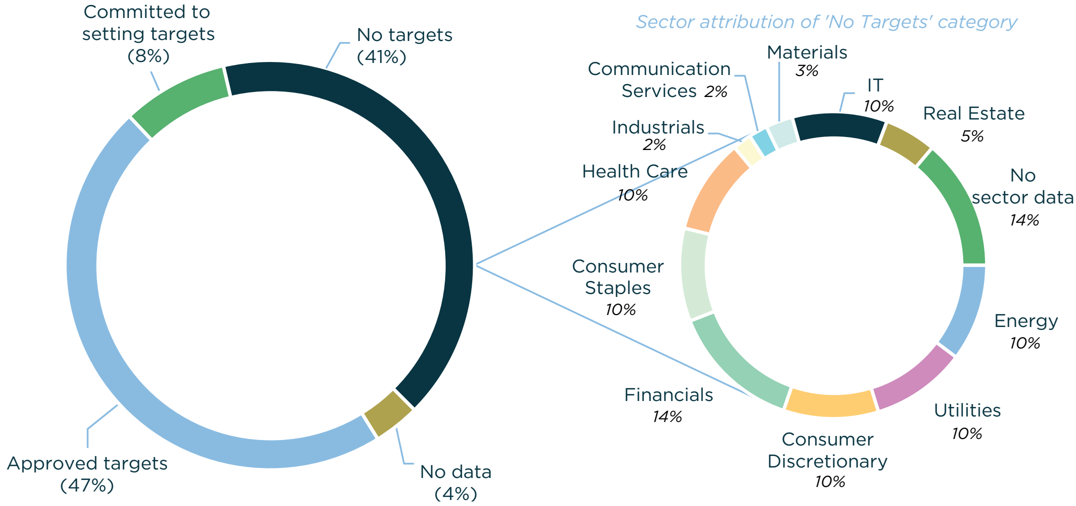
53.6 tCO_2e/\$m invested

ITR

2.34°C

These metrics apply to our centrally monitored holdings. Each metric covers only Scopes 1 and 2. WACI and ITR are inclusive of all equities and corporate fixed interest held directly and indirectly (via funds), as well as sovereign assets. Carbon footprint excludes sovereign assets. WACI - Weighted Average Carbon Intensity; ITR - Implied Temperature Rise; tCO_2e - tonnes of carbon dioxide equivalent.

SBTi alignment



- No targets: £8.9bn | 14,449 issuers
- No data available: £0.8bn | 3,485 issuers
- Approved targets: £10.1b AuM | 1,957 issuers
- Committed to setting targets: £1.8bn AuM | 687 issuers

SBTi status of holdings in our centrally monitored universe. The secondary chart shows the sector alignment of holdings within the 'No Targets' category, by %AuM within our universe. The above metrics apply only to our centrally monitored holdings. These metrics are inclusive of all equities and corporate fixed interest held directly and indirectly (via funds). Each metric covers only Scopes 1 and 2. The SBTi analysis excludes sovereign assets. All SBTi data and underlying emissions data in climate metrics on this page are sourced from MSCI ESG, as at 31/12/2024. Please refer to the data disclaimer at the end of this document for further details of limitations.

In 2024, we engaged with a significant proportion of our Assets under Management (AuM) through a series of thematic engagements. We will revisit this over time to track progress of the companies and third-party managers we invest in.

£8.6 billion Slipping through the net? Third party managers and net zero ambitions.

£1.1 billion Taking the temperature: assessing progress on climate transition plans.

£57 million Climate Assets: Capitalising on climate opportunity

Natural capital synergies

Climate cannot be viewed in isolation; the associated impacts are seen across the natural environment and society as a whole. The impacts of climate change on natural systems are numerous – whether they be ecosystem services, such as water cycling and treatment, or direct impacts on natural habitats such as acidification of oceans, resulting in the loss of coral reefs.

There are benefits to taking a coordinated approach in how we address the climate and nature impacts of our investments. Better protecting natural ecosystems and restoring degraded landscapes will be critical to enhancing our resilience to the range of global climactic impacts precipitated by climate change. Understanding which companies and actors currently have the most material impacts on, and influence over, nature systems is crucial in mobilising our resources towards a more nature-positive future.

Because industry guidance is very much developing in this space, we must emphasise that the strategy outlined here is likely to evolve. We are active participants in several of these fora – namely Nature Action 100 – and look to apply similar assessment frameworks (e.g. NA100 Benchmark) in the design of our own biodiversity impact appraisal framework. We anticipate this will be similar in structure to our climate engagement framework.

We commit to:

- Set **nature impact expectations**, potentially tailored by sector, for our investments. We will design these to be asset class-specific and provide clarity to our investors of the disclosures and actions we expect.
- Conduct a **materiality-driven baseline exercise**, to identify highest-impact holdings within our universe as priority targets for engagement.
- Investigate new **biodiversity data metrics** and evaluate their relative value in informing our biodiversity baseline. This will include both paid services (e.g. MSCI) and open-source data (e.g. TNFD tools[20]).

We are eager to be a constructive contributor to the development of frameworks and tools to integrate biodiversity impacts into investment processes. To that end, we are active participants in collaborative engagements through Nature Action 100 and the UN Principles for Responsible Investment's (PRI) Spring initiative.

Nature Action 100

Nature Action 100

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

PRI Spring

spring
A PRI stewardship initiative for nature

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

20 Tools Catalogue – TNFD

Glossary

Term	Definition
Active ownership	Investors actively use voting and engagement to influence the management of companies with respect to environmental, social or governance factors. Similar principles are also used by investors in other asset classes such as fixed income, private equity or property. This will also involve active participation in industry and peer group collaborative initiatives. Also known as Stewardship.
AuM	Assets under management, which unless stated otherwise, reflects gross AuM before intra-group eliminations.
CO_2e	Stands for CO_2 equivalent. The emission of different GHGs warm the earth at different intensities. For example, releasing 1 tonne of methane into the atmosphere has a greater warming potential than releasing 1 tonne of CO_2. This metric is used to express the impact of each different GHG in terms of the amount of CO_2 that would create the same amount of warming so that the impacts of the different GHGs can be compared.
ESG	Environmental, Social and Governance.
ESG integration	ESG integration at Quilter is the explicit and systematic inclusion of ESG factors, including climate-related issues, in our investment analysis and decisions to better manage risks and improve returns.
FCA	Financial Conduct Authority.
FRC	Financial Reporting Council.
GHG	Greenhouse gas.
Greenhouse Gas Reporting Protocol	The GHG Protocol supplies the world's most widely used greenhouse gas accounting standards.
Greenwashing	Making misleading or unsubstantiated claims about environmental performance or attributes.
The Group	Quilter plc and its subsidiaries.
IIGCC	Institutional Investors Group on Climate Change.
Net Zero	Net zero refers to a state in which the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere.
NGFS	The Network of Central Banks and Supervisors for Greening the Financial System. The NGFS is an industry group of central banks and supervisors which develops climate-related risk management resources for the finance sector. It works in collaboration with a global academic consortium to develop a range of future scenarios that can be used to appropriately assess climate risks to economic and financial systems.
NZAM	The Net Zero Asset Manager's Initiative. The NZAM is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.

Term	Definition
PRI	The Principles for Responsible Investment. The PRI is a UN-supported network of investors, working to promote sustainable investments.
SBT	Science Based Targets.
SBTi	The Science Based Targets initiative. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. The SBTi drives ambitious climate action in the private sector by enabling companies to set science-based emissions reductions targets.
Scope 1 Emissions	The direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the company. Scope 1 emissions result from a company's internal operations, including on-site energy production, vehicle fleets, manufacturing operations, and waste. The values represent metric tonnes of CO_2 equivalent.
Scope 2 Emissions	The indirect greenhouse gas (GHG) emissions attributable to operations that are owned or controlled by the company. Scope 2 emissions are the emissions generated in the production of energy (electricity, steam, heat, and cooling) that is purchased by a company. For purchased electricity, organisations are expected to report Scope 2 emissions according to a 'location-based' and a 'market-based' method.
Scope 3 Emissions	These are all indirect emissions (not included in Scope 2) that occur in a company's value chain, including both upstream and downstream emissions (e.g., business travel, waste).
Sustainability	Whilst there is no single definition of 'sustainability', we use this term to refer to environmental, social or governance factors or concerns. Environmental concerns include climate and broader environmental issues, like biodiversity. Social factors range from modern slavery to international development. Governance refers to the way that companies are controlled and directed.
Stewardship	Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
TCFD	The Task Force on Climate-related Financial Disclosures. The Financial Stability Board created the TCFD to improve and increase reporting of climate-related information.
tCO_2e	Tonnes of CO_2 (carbon dioxide) equivalent.
UK Stewardship Code	The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society.
Weighted Average Carbon Intensity (WACI)	A portfolio's exposure to carbon-intensive companies, expressed in tonnes CO_2e/\$m revenue. This metric is recommended by the TCFD. Certain asset classes are excluded from the WACI calculation. Most significantly, these include asset-backed securities, cash, foreign currencies, and derivatives.

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