



QUILTER CHEVIOT

RESPONSIBLE INVESTMENT AND MPS

# Our approach to incorporating ESG factors into the investment process



## Our firmwide approach to responsible investment

As a responsible investor Quilter Cheviot is committed to its role as a steward of clients' assets in order to protect and enhance long-term returns. This encompasses our engagement with investee companies and funds, through proxy voting and face-to-face dialogue, as well as taking into account environmental, social and governance (ESG) factors which could impact shareholder returns.

### Our beliefs

- There is no such thing as an environmental, social and governance (ESG) fund or an ESG company: all will take different approaches so cannot be directly compared.

As a responsible investor, the main pillars of our approach are:

- to analyse ESG data to better inform investment decisions, and
- to proactively engage with the companies and funds we hold on behalf of our clients (active ownership)

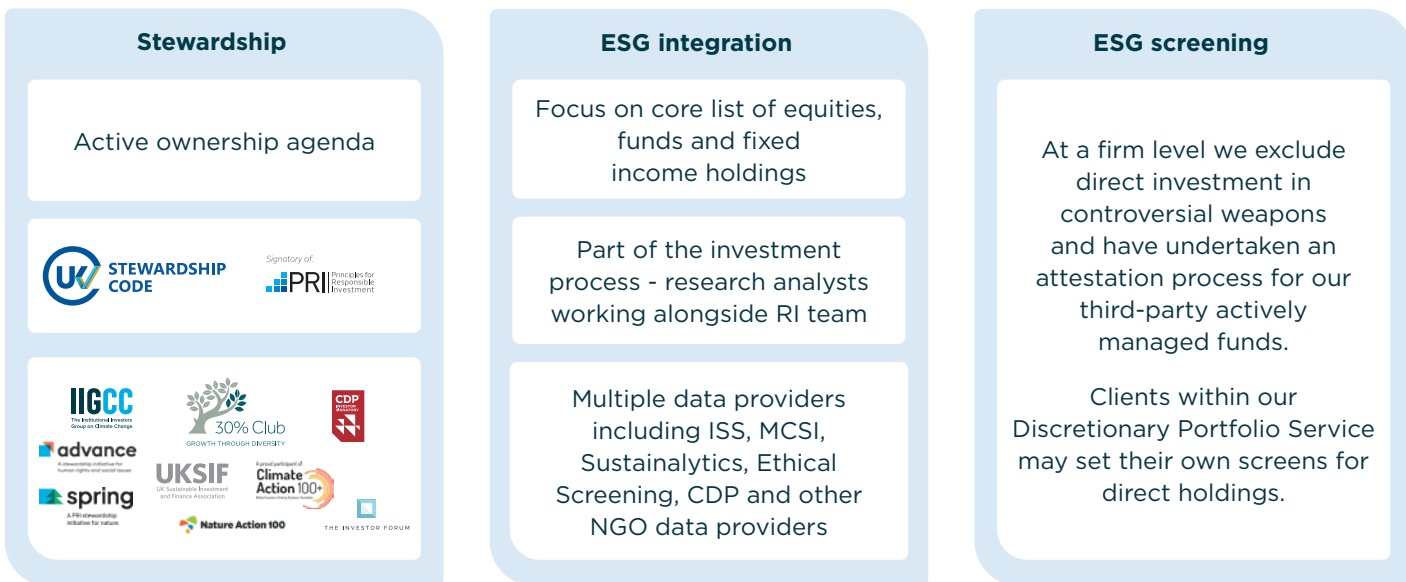
“ A strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.”

United Nations backed Principles for Responsible Investment

# Responsible investment in practice

There are three main approaches to responsible investment that we undertake across our Managed Portfolio Service (MPS) at Quilter Cheviot. We vote and engage with companies and fund managers on 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.

At Quilter Cheviot and across Quilter, we have adopted the UN backed Principles for Responsible Investment (PRI) framework. The points below summarise our three main approaches to responsible investment.



Our active ownership agenda encompasses our engagement with investment holdings to discuss ESG related issues to improve their handling and disclosure of these. We do so individually, as Quilter Cheviot, but also in collaboration with other investors. Playing an active role in industry groups and trade bodies is also part of this work. It includes voting, either in person or by proxy, which involves formally expressing approval or disapproval through voting on resolutions.

The purpose is not to exclude certain activities or sectors, but to understand the ESG related challenges and opportunities for an investment. It is about risk mitigation and the approach will depend on the asset class. ESG factors are a component within the investment process and is not the overriding consideration. At Quilter Cheviot this is integrated into the investment research process.

In line with international and national laws, we exclude direct investment in controversial weapons (cluster munitions and anti-personnel landmines).

## Our resources

The MPS team works alongside the responsible investment team and the research teams. The responsible investment team has overall responsibility for the firm's active ownership work and leads on collaborations such as the 30% Club and PRI; and are members of various industry working groups such as the TISA Responsible and Sustainable Investment Committee and the PRI Wealth Management Group. The team also leads on strategic and regulatory developments across the business.

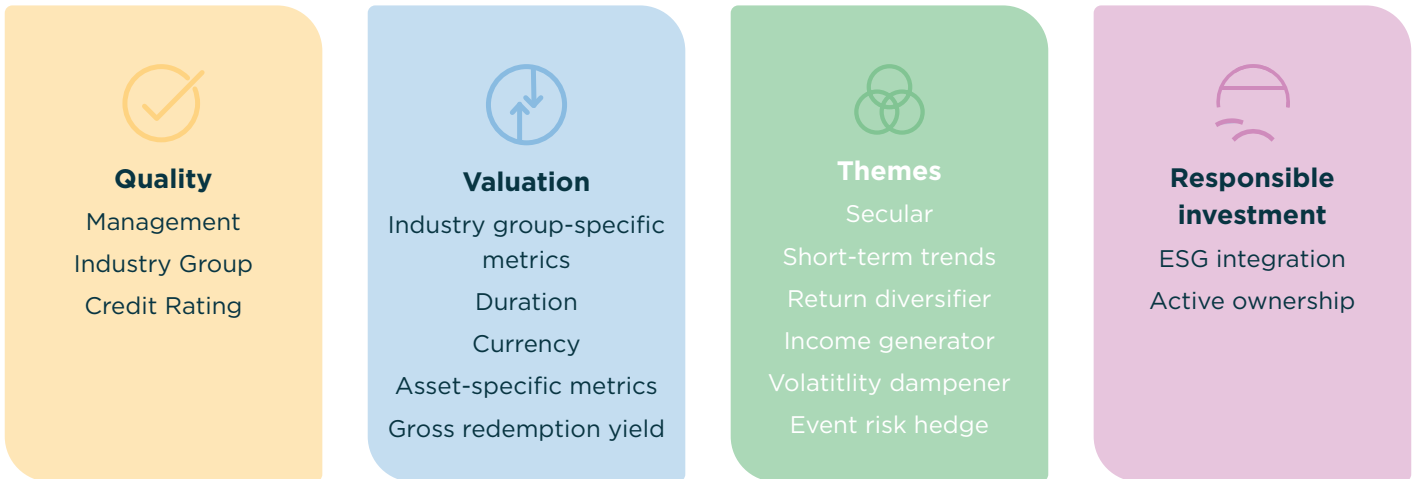


# ESG integration

Embedding ESG factors within our investment decision making is integral to our responsible investment approach. This is not about excluding companies or funds but evaluating their approach to ESG - there are different approaches depending on whether we are investing directly or via funds.

## ESG integration and equities

Our seven core MPS strategies invest directly in equities via our exclusive 'Building Blocks', a range of funds designed and managed by Quilter Cheviot exclusively for use within our services. These Building Blocks invest primarily in direct equities in the UK, North American, and European markets. As part of our research process, we consider environmental, social and governance (ESG) factors. Responsible investment sits alongside the other three fundamentals pillars of our equity selection process: quality, valuation and themes.



*Positive ESG = Better Quality*  
*Positive ESG = Higher Valuation*

## ESG integration and fund selection

Quilter Cheviot is one of the largest fund buyers in the UK market. We have a specialist fund research capability responsible for monitoring closed and open-ended funds. As a responsible investor, we evaluate these third-party funds and investment trusts quantitatively and qualitatively using our proprietary framework and dashboards. We analyse third party managers' ESG approach at a firm, strategy, and holdings level which is incorporated into our research process.

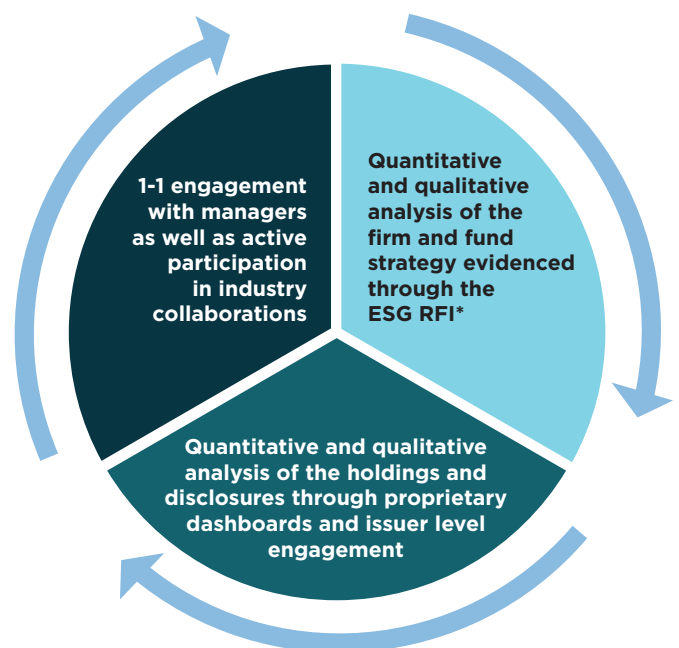
Our fund dashboards are designed to:

1. Evidence the RI categorisation of funds and the proprietary ESG fund rating
2. Identify funds and holdings for engagement

Through the analysis of this information, we make an initial quantitative assessment of a fund based on:

- The firm's approach to responsible investment
- The manager's approach to ESG integration / responsible investment as part of the investment strategy
- The fund's holdings or disclosures

The combination of this top-down and bottom-up approach allows us to determine the extent to which a fund displays responsible investment credentials. This is then either evidenced or challenged through the ongoing engagement with the fund.



\*RFI: Request for Information

# Voting and engagement

In our capacity as an investment manager we act as steward for our clients' assets. Company shares usually carry voting rights and exercising these enables shareholders to express their view and engage with companies to support the creation of wealth, benefitting shareholders, the wider economy other stakeholders. As a responsible investor we will use voting rights (where appropriate) to further the economic interests of our clients and we have established a set of voting principles which guide how we vote.

Within the MPS Building Blocks, we vote on our UK, European and US equity and investment trust positions. We use ISS as our proxy voting service provider and vote in accordance with Quilter Cheviot's decision, as the voting of holdings reflects our investment thesis.

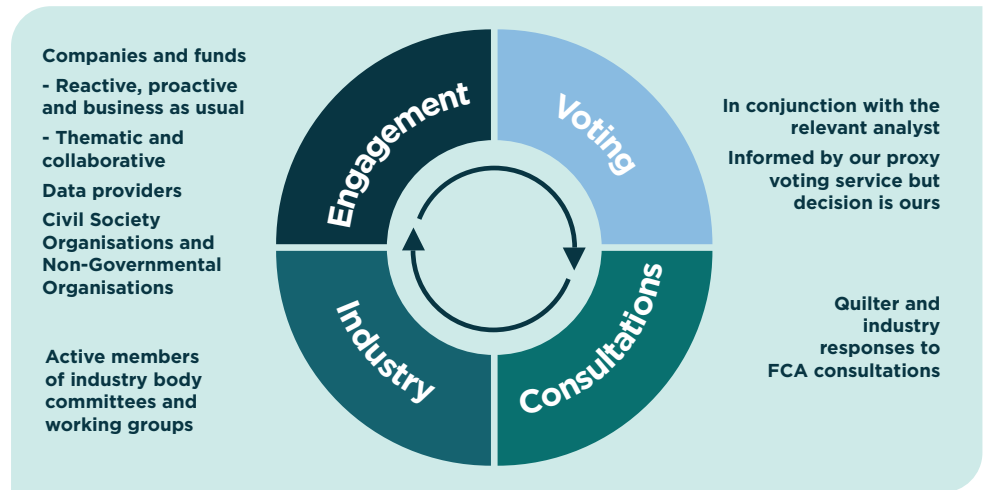
## Stewardship = Active Ownership

Engagement is part of our Stewardship (also known as active ownership) approach.

We undertake our own engagement with the responsible investment team working alongside the relevant analyst, as well as the analyst progressing their own engagements on non-governance issues.

Our response to the Stewardship Code can be found **here**. Further information on our engagement policy be found **here**. Further information on our voting policy, providing more information on our approach to stewardship can be found **here**.

Alternatively, please visit our website: [www.quiltercheviot.com](http://www.quiltercheviot.com)



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**Investors should remember that the value of investments, and the income from them, can go down as well as up and that past performance is no guarantee of future returns. You may not recover what you invest.**

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Image source: iStock