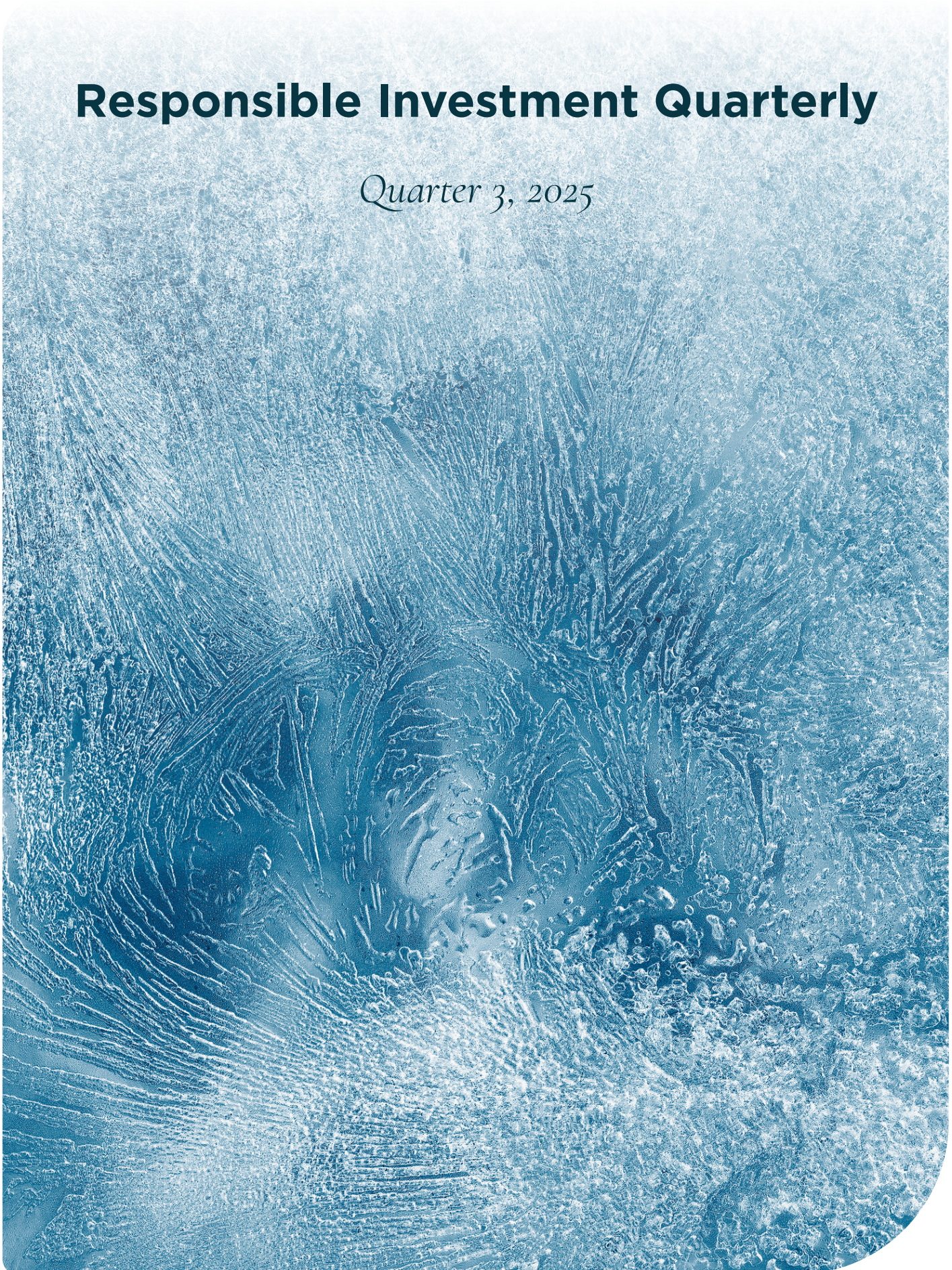


Responsible Investment Quarterly

Quarter 3, 2025



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Welcome

As proxy season came to a close, much of the quarter was dedicated to updating internal policies and enhancing our proprietary dashboards. We updated all the policies and related documents to reflect the ongoing evolution of our process, best practice and taking into account the updated Stewardship Code. Significant attention was given to advancing the development of our QC Climate Alignment Test (QCCAT), with beta testing of the proposed criteria now underway. Our proprietary fund ESG dashboard development continued, this incorporates our Environmental, Social and Governance (ESG) Request for Information (RFI) and holdings data in order to evidence the RI categorisation awarded to funds.

This quarter also saw the launch of our thematic engagement on plastic use within the consumer goods sector, alongside the completion of a report examining how companies across the artificial intelligence (AI) value chain are managing emissions growth as AI solutions scale. In addition, September marked the start of our first Climate Action Plan (CAP)-related climate engagement series, (Science Based Target Initiative) SBTi Slow to Start, which involves discussions with our most financially and emissions-material companies about the potential for setting SBTi-validated targets.

External collaborations and contributions remain a vital part of our stewardship approach. In Q3, as part of the 30% Club's 'Fix the Exec' working group, we initiated the first phase of a long-term engagement cycle by sending letters to companies that are falling short of gender diversity expectations at the executive level. Alongside this, we continued to support Quilter's broader stewardship efforts by contributing to a series of public consultation responses, including the Transition Plan Taskforce (TPT).



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Our latest research and insights

Read the latest from us in the news this quarter

RESPONSIBLE INVESTMENT

Greening algorithms:

Artificial Intelligence and emissions



The world is set to exceed the target global temperature increase of 1.5°C above pre-industrial levels outlined in the 2015 Paris Climate Agreement. In this context, the acceleration of artificial intelligence (AI) use and ensuing data centre growth has raised further concerns over climate action. Over 100 countries (plus the European Union) have committed to achieving net zero emissions. Understanding the implications of AI proliferation is essential.

Greening algorithms:
Artificial Intelligence and emissions

[Click here for the full insight](#)



Greg Kearney
Senior Responsible Investment Analyst



Ben Barringer
Head of Technology Research and Investment Strategist



Nicholas Omale
Responsible Investment Analyst

European defence: a growth story without the IT factor



European defence companies could boast a compound annual growth rate (CAGR) of up to 11% for the period covering 2024-2035, a level of growth high-flying information technology (IT) stocks would be proud of. The double-digit forecast is based on a major increase in European defence spending and represents a sharp turnaround for the sector. The decades following the ending of the Cold War saw successive European governments significantly underinvest in their respective military capabilities. Not anymore. Defence spending in Europe is on the rise.

European defence: a growth story
without the IT factor

[Click here for the full insight](#)



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In other news



The Quilter Cheviot Responsible Investment team was shortlisted for the 'Best ESG Provider Award' by Money Marketing. This was a highly competitive and prestigious nomination which recognises various asset managers for their outstanding contribution to the industry through their stewardship efforts. Whilst we did not win an award, Quilter did, in a couple of categories. Additionally Nicholas Omale and the RI team were short-listed in the rising star award and the Best Sustainable Investment Engagement Group Initiative categories respectively for the Sustainable Investment Awards.



Nicholas Omale
Responsible Investment Analyst

Voting highlights

Voting activity slowed slightly in Q3 following a busy proxy season. Between July and September, we voted at 91 company meetings—down from 104 during the same period last year. This decline was primarily due to fewer meetings being held in the UK, largely because companies scheduled fewer special meetings this year.

Social voting activity by numbers:



1x vote in favour of reporting on real living wage data (shareholder proposal)

We supported the shareholder resolution requesting the company to report and provide information that would enable shareholders to assess its approach to human capital management. The company does not currently pay the 'real' living wage, and we believe greater transparency around workforce pay and the potential financial implications of adopting the 'real' living wage would be beneficial to shareholders.

Company voted on: JD Sports

Governance voting activity by numbers:



4*x votes against electing / re-electing director (management item)

We voted against the re-election of directors owing to board independence concerns, presence of multi class voting structures, and where the board had failed to adequately address prior year's low say-on-pay vote result.

Companies voted on: 3i Infrastructure, Nike, Prosus (x2)



6x votes against management on compensated related resolutions (management item)

We placed votes against where companies failed to provide adequate performance metrics tied to the long-term components of executive pay, or where discretionary awards and non-standard pay structures—such as hybrid incentive plans—were introduced without sufficient justification.

Companies voted on: JD Sports, Kering, Prosus (x2), Tate & Lyle, Young & Co's Brewery



2x votes against approving the auditor (management item)

We voted against approving the auditor at Alibaba's AGM given the findings of an investigation into the proposed auditor and historic ban imposed, the proposed appointee may undermine confidence in the audit and raise concerns about its suitability.

Companies voted on: Alibaba (x2)

**Withheld and abstain votes have been included within votes against figures.*



Voting activity

Over the third quarter of 2025, we voted at:



Over the quarter we voted on:



1,266
RESOLUTIONS

The infographic features a central white box with a pink dashed border containing the text '1,266 RESOLUTIONS'.

for  178 resolutions where we did not support management (this includes shareholder proposals).

The text 'for' is positioned to the left of a dark blue square icon containing a white 'X'. To the right of this icon is the number '178', followed by the text 'resolutions where we did not support management (this includes shareholder proposals)'.

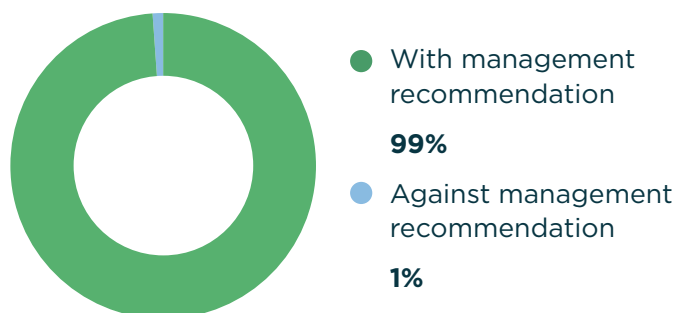
We enabled clients to instruct votes at 15 meetings.

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

Voting activity

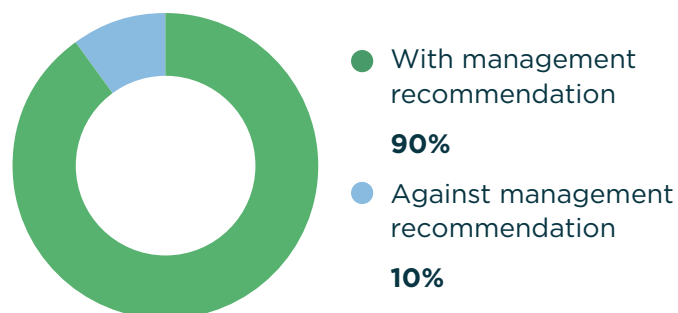
Management resolutions voted on in Q3 2025

(excluding shareholder proposals)



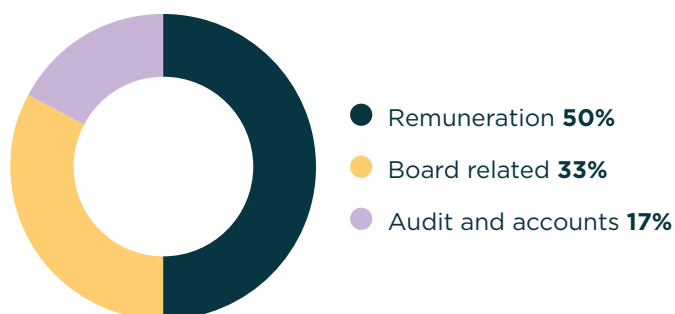
Meetings with votes against management in Q3 2025

(including shareholder proposals)



Management resolutions voted against by topic in Q3 2025

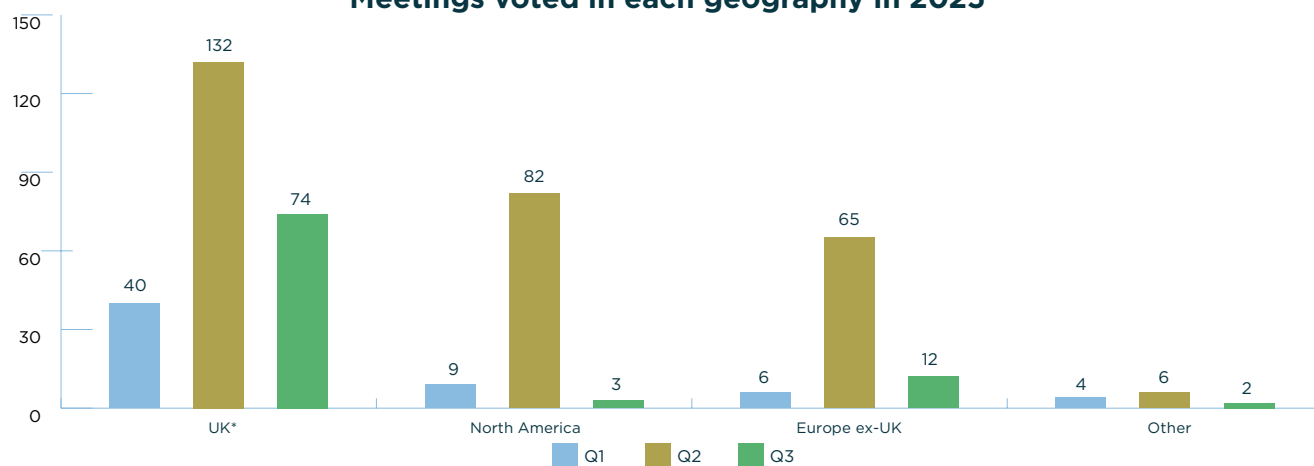
(excluding shareholder proposals)



Shareholder proposals supported in Q3 2025



Meetings voted in each geography in 2025



* Includes the Crown Dependencies of Jersey and Guernsey



Engagement activity

Here, we outline examples of our engagement in the third quarter of 2025. In line with the Shareholder Rights Directive II (SRD II) disclosure regulations, we have included the name of the company, investment trust or fund in most cases. In some cases, we will not, 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 analyst's recommendation



Environment: climate change and natural capital



Social: human rights



Governance: engagement activity across our holdings

Climate change

(SBTi) Slow to Start

Objective: Our Science Based Targets Initiative (SBTi) Slow to Start engagement series stems from our Climate Action Plan (CAP), targeting the most financially and emissions-material companies in our centrally monitored equities which have not set a SBTi-validated target and a sector-relevant SBTi pathway is available. The purpose of our discussions is to identify key barriers which deter companies from seeking SBTi validation, as this is an important metric Quilter Cheviot utilises to gauge climate risk management within its investments.

Ashtead Group - Environment

We engaged with Ashtead Group, a heavy plant and machinery rentals business, to discuss whether it has considered seeking external validation of its decarbonisation targets. The primary obstacles precluding SBTi validation for the company are the downstream-heavy emissions profile of the company's rental and trucking activities; challenges with client demand for lower-emissions machinery; and the absence of lower-carbon technologies for much of its rental stock and trucking fleet.

The nature of the company's activities – plant rental, HGV trucking transport, and sales of heavy plant – mean the majority of its emissions lie in Scope 3, particularly from leased assets (i.e. from fuel use during plant operation) and use of sold products (i.e. plant sales – embodied carbon and use-phase emissions). The company has not yet set any targets for its Scope 3 emissions given the difficulty in curtailing these emissions, due to nascent (or absence of equivalent) technologies and the desire for continued business growth.

The company noted 'hard lessons' it had learned from ambitiously purchasing lower-carbon (battery, hydrogen, or otherwise electric-powered) machinery, only to find clients reticent to rent these rather than their traditional internal combustion engine (ICE) powered plant. Typically, this comes down to higher cost – the lower-carbon plant is typically two to three times more expensive than fossil fuel-powered options.

There is also political / ideological opposition to any 'climate friendly' narratives, particularly in the company's US client base where climate scepticism remains prevalent. This has even played a role in the company's operational decarbonisation efforts, where some US-based employees resisted transitioning from diesel to EV pickup trucks.

The shifting, and varied, geopolitical landscape emerged as a key theme dictating the company's view of its transition planning and targets – and indeed, the underlying economic feasibility of these commitments. The majority of its Sunbelt business is based in North America, where a patchwork of different markets and range of customer tastes has developed.

Outcome: In sum, Ashtead feels it is making a reasonable effort to decarbonise over time but considers itself squarely in the 'difficult to decarbonise' camp and would require considerably greater flexibility than the SBTi target standards allow for. The company has shifted some of its stock towards lower-carbon plant, but has found mixed demand for it, concluding it cannot force the market to shift faster than it will. Although development of lower-carbon plant is ongoing, the pace has slowed, with several of their plant manufacturing clients limiting or rescinding ambitions in this space. Ashtead made clear it would require both greater investor pressure prioritising SBTi validation of its targets, and for more carve-outs and flexibility on SBTi's absolute emissions expectations and allowance for non-linear, less consistent rates of decarbonisation. There was no change to the RI categorisation as a result of this engagement.

DCC - Environment

We met with DCC, a diversified energy, IT and healthcare company based in Ireland, to discuss whether it has considered seeking external validation of its decarbonisation targets. The company's Director of Sustainability was, in fact, very supportive of SBTi target validation, having led her previous employer through the process. However, given its energy solutions form the majority of DCC's revenues, the company is not actually eligible under the general target setting methodology. It would require a fossil fuels target pathway, which has been long-promised and as-yet not delivered.

In the absence of a formal pathway, however, DCC has set science-based decarbonisation targets covering both its operational and supply chain emissions and undertaken external validation by a consultant. The company found this process edifying, noting that the consultant provided useful expertise on considerations like forecast market conditions, key levers to consider, and target feasibility.

The key challenges the business faces are with its Scope 3 use of products emissions – i.e. those from burning fuels it sells. It is working to reduce these, replacing many of its traditional fuels with biofuel alternatives like Hydrotreated Vegetable Oil (HVO). It is

aligning its approach with the requirements set out in the EU's third rendition of the Renewable Energy Directive (RED III), which aims for 29% renewable energy in the final consumption of transport-related energy. The company's work on biofuels will form only a relatively small part of this, as any used cooking oil (UCO)-based biofuels are limited to no more than 1.7% of the final energy consumption for transport-related energy use.

The company emphasised the growing importance of 'bridge fuels,' those lower-carbon intermediary fuels which will bridge the gap between traditional fossil fuels and those greener emissions-free fuels and technologies still under development (i.e. fully electrified transport solutions, hydrogen fuel cell). This typically means natural gas and other gaseous derivatives. DCC's FloGas is developing new biomethane production plants in Ireland, using anaerobic digestion processing of waste organic materials such as food waste, farm manure, and grass silage.

A supportive policy environment has been essential in facilitating DCC's progress on this front. In Ireland, this includes the Renewable Heat Obligation (RHO), pushing Ireland's domestic energy providers to incrementally increase the proportion of renewably sourced heating power from 2026 onwards. The company noted a perceived over-emphasis of EU policy directives on electrification solutions, which are currently insufficient in isolation; it would like to see greater attention given to multi-fuel solutions.

Outcome: The company's willingness to pursue SBTi validation was encouraging, and we share the company's frustration at the absence of the long-promised fossil fuel target pathway. We appreciate the company's proactive approach in pursuing otherwise-accredited targets in the meantime, although the use of external consultants ultimately lacks the transparency which aids our evaluation of company climate targets. It is acknowledged the company is seeking to reorientate its businesses to ensure both compliance with EU regulations and position itself to benefit from the energy transition. There was no change to the RI categorisation as a result of this engagement.

JPMorgan Chase & Co. - Environment

We engaged with the Investor Relations team at JP Morgan Chase & Co. (JPMC) to discuss whether the bank has considered seeking external validation of its sector decarbonisation targets. The company was very direct in dismissing SBTi validation as an option, stating its primary objection was the SBTi requirement for absolute emissions reductions (rather than intensity-based). It also cited the desire for direct control over the carbon accounting methodology and process as key drivers behind its proprietary 'Carbon Compass' platform. The firm also noted the heightened scrutiny applied to third party initiatives, and the real or perceived threat these are viewed as within the US context.

When asked what measures the firm takes to provide transparency in its climate approach, JPMC highlighted its Center for Carbon Transition (CCT), which includes methodology papers and links to its sustainability disclosures available to both clients and employees. However, it is notable that these resources all date from 2023 – it appears the CCT has not published any updates or further resources in the intervening period.

JPMC's climate approach appears to be wary, if not altogether changeable. Its Carbon Assessment Framework (CAF) which was emphasised as a 'conversation,' where client companies are not required or expected to have targets in place or even a disclosed transition plan. The point, for JPMC, is to be 'aware and comfortable of the [climate] risks' associated with a company – not to expect the company to do anything to address these risks.

Outcome: JPMC made clear its disinterest in, third party institutions and initiatives like the SBTi. The firm's preference for its own internally defined targets and processes seems to supersede any desire for comparability or comprehension for its targets or transition objectives. Indeed, the firm's overall approach to its targets suggests an ambivalence towards whether they are even pursued at this point. As the firm succinctly put it, when the targets were set in 2021, there was considerable client interest and it made 'business sense' to partake in and support climate initiatives – evidently, this is no longer the firm's view. There was no change to the RI categorisation as a result of this engagement.

Standard Chartered - Environment

Our discussion with Standard Chartered highlighted a strong desire to demonstrate climate leadership in its strategy and targets, with an evidenced legacy in its work at the Net Zero Banking Alliance (NZBA) and beyond. We engaged with the Sustainability Lead, and a member of the company's Investor Relations team. The company had in fact been committed to set an SBTi-validated target up until 2023, when it withdrew this commitment citing its concerns that SBTi guidance did not adequately account for emerging markets in its pathways (particularly given the bank's exposure to central Asian large economies with later-than-2050 net zero ambitions [i.e. China 2060, India 2070]).

Like many similarly reticent companies, the bank has chosen to set its own climate commitments with its 'Big 4' consultant/ auditor, EY. The company considered this to be the next best validation it could pursue, citing the absence of any other large banks on the SBTi's committed or validated companies list. Standard Chartered's targets are 1.5-1.7°C aligned and allow for non-linear decarbonisation to account for its client base lacking 2050 net zero targets.

We discussed the company's views of the SBTi validation process, with its strengths being the scientific rigour and independence while its limited resource and resulting unresponsiveness prove challenging for potential corporate customers. The rigidity of its 1.5°C-alignment pathways can mean some elements of its guidance can be too restrictive, particularly in the organisation's Financial Institutions' Net Zero guidance. It was felt these requirements verge too close to dictating investment universe and setting stringent restrictions, which is difficult in a client-driven business context.

Standard Chartered was a strong advocate during its participation in the NZBA, publishing several research reports detailing its sector decarbonisation approach which was widely adopted by other members. The bank stated plainly that its commitment to addressing climate in its activities remains unchanged, despite the dissolution of the initiative. When discussing the recent geopolitical turmoil driving issues like the NZBA collapse, the bank was clear that its climate approach has been a strong positive in its business – it has gained investment mandates it would otherwise not be eligible for and is finding consistent demand for its services.

Outcome: The bank gave clear rationale for its decision not to submit SBTi-validated targets – namely, its emerging market exposure and the uncertainties in committing to decarbonise market investments in countries lacking 2050 targets. Although this is not a challenge unique to the bank, it remains a key area the SBTi has not addressed in the pathway options it provides. The targets, and particularly the degree of transparency around the methodology used, are acknowledged as an eminently reasonable and relatively ambitious approach in challenging market conditions for banks. There was no change to the RI classification as a result of this engagement.

As part of our collaborative engagement activity:

National Grid - Environment

Objective: The Climate Action 100+ annual meeting with the company to discuss updates to the Clean Power 2030 Action Plan (CP30), with a focus on grid connectivity and community engagement around the transition narrative.

Members of National Grid's Sustainability team as well as Investor Relations provided an overview of its progress against the UK government's Clean Power 2030 Action Plan. The company is developing 17 discrete projects as part of the government's ambitious energy decarbonisation strategy. In addition to extensive hiring and strategic planning, the company has also been working to secure its critical supply chain materials.

Our engagement group raised several queries in our discussion. We asked what measures National Grid is taking to mollify the community opposition to large new infrastructure as part of its CP30 programme. The company noted its use of new visualisation tools, allowing community members to see realistic – and, importantly, accurate – visual impacts of new infrastructure such as pylons and offshore wind turbines. It also emphasised the importance of a strong unifying narrative for these projects, and the vital contribution they are making towards the UK's energy independence, the numerous jobs supported and other benefits manifesting at community level, like cheaper energy bills.

National Grid was clear, however, that it supported recently proposed changes to streamlining community consultation processes. It is committed to understanding community views in the consultation process but is keen to streamline this process as much as possible, particularly given the pace needed to achieve the CP30 scheme within a fast-approaching deadline.

Outcome: National Grid appears to be concentrating on positioning itself for success in achieving the CP30 scheme, with over a thousand new hires linked specifically to these projects in the last year. The company is learning and, with relative speed, overcoming barriers to bring these projects online on time. Notably, it succeeded in lobbying for changes to the grid connection queue process, after decade-long quoted wait times for businesses shook confidence in its ability to deliver the range of new infrastructure planned. The next few years will be critical to seeing some of the promised infrastructure taking shape and realising much of the planning done to date. There was no change to the RI categorisation as a result of this engagement.

Natural capital

Disposable disclosures: Consumer goods and single use plastics

Objective: Our thematic engagement on plastics aims to assess corporate plans to manage product packaging's lifecycle and reduce plastic pollution, while also targeting a better understanding of how companies are navigating the increasingly complex legal and political landscape. Using the Brand Audit Report from NGO, Break Free From Plastic (BFFP), we identified top global corporates whose packaging ends up as pollution. BFFP's 250 brand audits in 41 countries collected 537,719 pieces of plastic waste, documenting around 7,000 brands from 4,000 parent companies. The engagement focused on the top five consumer goods companies (Coca-Cola Company, Nestlé, Unilever, PepsiCo, and Mondelez) which by way of separate analysis correlates with the largest users of single-use plastics by volume in our investment universe. The engagement aimed to understand how our investee companies with significant plastics exposure are addressing key risks and opportunities – including the company's plastics strategy across different geographies, its use of recycled plastics, reusable packaging formats, the impacts of packaging regulations as well as emerging health and liability risks related to plastics.

Coca-Cola HBC - Environment

This engagement with the Head of Sustainability provided a clearer picture of Coca-Cola HBC's approach to plastic packaging sustainability and confirmed that the company has a strategy to manage the associated risks and opportunities. Coca-Cola HBC's plastics strategy balances meaningful global targets with the realities of local markets. The company's Mission 2025 aims for over 60% recycled plastic (rPET) in EU bottles and 35% globally by 2025, with approaches tailored to each country's infrastructure. In developed regions, Deposit Return Schemes (DRS) have boosted collection rates—Romania's new DRS, for instance, achieved a 77% return rate in its first year. In less developed markets, Coca-Cola HBC invests in local recycling solutions, like collection hubs in Nigeria, to facilitate rPET supply.

Regulatory drivers such as the EU Single Use Plastics (SUP) Directive and Extended Producer Responsibility (EPR) schemes are major influences, and Coca-Cola HBC proactively integrates compliance into its packaging strategy, including paying EPR fees in all markets and supporting the expansion of Deposit Return Schemes (DRS). While the company recognises emerging health concerns about plastics (particularly microplastics and chemicals leakage), it does not see bottlers at the centre of the issue and based on production analysis sees little immediate liability risk but remains vigilant.

Despite the US based Coca-Cola Company easing its own targets, Coca-Cola HBC remains committed to its more robust sustainability goals, leveraging its operational autonomy. The company acknowledges the financial costs of these changes but treats them as a strategic investment, relying on efficiency and innovation rather than passing costs on to consumers.

Outcome: Looking ahead, Coca-Cola HBC faces significant ongoing challenges. The transferability of best practices is complicated by varying regulatory frameworks, infrastructure, and consumer preferences across regions. Achieving consistent progress worldwide will require continual adaptation and overcoming barriers unique to each market environment. We set the expectation that the company will maintain momentum on its Mission 2025 packaging goals despite a growing divergence in approaches across the Coca-Cola network. Globally, single use plastic waste remains a chronic environmental issue, although HBC's approach is not revolutionary, its targets are more ambitious than the requirements set by the EU SUP directive, one of the most progressive plastics standards in the world. There was no change to the RI categorisation as a result of this engagement.

Nestlé - Environment

This engagement with the company's Packaging and Sustainability lead affirmed that Nestlé is taking a proactive and holistic approach to tackling single-use plastic waste, balancing innovation with pragmatism. The company's strategy of coupling internal action (research, product redesign, investment) with external collaboration (industry coalitions, support for regulation) aligns with our expectations on a holistic approach to managing plastic risk. We expect Nestlé to sustain momentum on its packaging initiatives and to report improved outcomes in 2025 and beyond, which will factor into our ongoing assessment of the company's plastics performance.

Outcome: The engagement proved valuable but also highlighted the scale of the challenge. We came away with a better understanding of Nestlé's actions – such as its institute-driven innovation, global pilot projects, and policy engagement efforts – which gave us confidence that the company is addressing plastic packaging risks in a methodical way. Nestlé's candid acknowledgement of hurdles (like the difficulty of recycling multi-layer flexible packaging or hitting their internal 30% recycled content goal by 2025) demonstrates transparency; unlike some consumer goods companies, Nestlé is not backing away from these commitments but rather doubling down on collaboration and R&D in efforts to overcome them. We expect Nestlé to intensify efforts in the coming year. Progress on flexible plastic packaging solutions (either via improved recycling technology or material substitutions) will be crucial for the post-2025 period, as this remains the toughest area (with high leakage rates and few current alternatives).

There is no change to Nestlé's responsible investment rating or our investment thesis as a direct result of this meeting; we will continue to monitor specific milestones.

Unilever - Environment

This engagement with the Sustainability team provided a comprehensive look at Unilever's plastics strategy and its recent course-correction toward more realistic goals. Unilever remains committed to tackling plastic packaging waste, even as it has extended the timelines for some targets in light of practical challenges. Although it is disappointing to see a paring back of goals, the company has made tangible progress – for example, achieving a 23% reduction in virgin plastic use and reaching 93% waste collection – and it has a detailed action plan to push those numbers further in the coming years. Importantly, Unilever is undertaking both internal measures (redesigning products, investing in recycled content, R&D on new materials, etc.) as well as external collaboration and advocacy for systemic change. This two-pronged approach – improving its own operations while also helping shape broader industry standards and infrastructure – aligns with what we as investors expect from a leader in sustainability.

Despite falling short of its initial 2025 aspirations, Unilever's updated strategy appears credible, and business aligned. The new strategy candidly recognises what was not working (especially around flexible packaging and the original deadlines). We were encouraged by Unilever's openness about the hurdles it faces – such as the need for better recycling technology for sachets and the reality that consumer behaviour is hard to shift. The real test will be in execution: achieving the interim targets in 2026/2028, scaling up reuse models, and innovating viable alternatives for problematic plastics. These remain significant challenges. For instance, solving the use of disposable sachets will likely require breakthroughs in material science or new delivery models that have yet to be proven at scale. Similarly, reaching 100% reusable/recyclable packaging by 2030/35 will demand not only product innovation but also functioning recycling systems in all the markets Unilever serves.

Outcome: We view the “realistic roadmap” as a positive in that it sets achievable benchmarks and encourages accountability, though we will watch to ensure that ambition is not further diluted over time. Unilever's leadership in global initiatives and support for regulation should help drive industry-wide progress, which ultimately makes its own goals more attainable. We maintain our responsible investment view based on the meeting.

Other natural capital related engagement activity:

American Water Works - Environment

Objective: We engaged with the Investor Relations and Sustainability teams at American Water as part of a thematic engagement driven by holdings in our Sustainable Opportunities strategy. This water themed dialogue aimed to explore how the company is managing water-related risks, capital investment priorities, regulatory obligations as well as water performance opportunities. As a regulated utility operating across 14 U.S. states, the company plays a central role in delivering essential services. Our objective was to assess the robustness of its strategy in balancing infrastructure needs, environmental responsibilities, and long-term investor value.

American Water's exposure to high water stress regions is limited (c.3%), which reduces its immediate physical risk. However, the company has adopted a proactive stance on climate resilience, with capital directed towards flood defences, reservoir construction, and a desalination plant. While these measures are commendable, the scale of investment required to future-proof infrastructure remains significant, and the pace of delivery will be crucial. The company does focus on catchment-level collaboration is a working with local stakeholders to protect source water and has demonstrated success in Tennessee.

The company's decade long \$40-42 billion infrastructure plan is ambitious and reflects the ageing state of U.S. water systems. American Water is deploying digital meters and leak detection technology to address non-revenue water, which currently stands at around 20% of water emissions. The target to reduce overall water use by 15% is positive, though progress will depend on regulatory support and enhanced customer engagement.

Regulatory complexity was a recurring theme, with varying standards across states. American Water appears to manage this well, but the fragmented national landscape may limit the scalability of certain initiatives, such as catchment-level collaboration. On emerging risks, the company is preparing for Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) regulation. PFAS are a large group of synthetic chemicals known for their non-stick and water-repellent properties. The accumulation of these substances has been linked to potential health issues. Water companies will be required to introduce additional measures to filter and prevent further accumulation of these chemicals in waterways.

Outcome: American Water presents a generally well-considered approach to water stewardship, with clear investment in resilience and efficiency. Its strategy reflects awareness of both physical and regulatory risks, and its collaborative efforts are positive. However, some areas — including regulatory consistency and expenditure on emerging contaminants (such as PFAS) — should be monitored. The company offers a credible long-term proposition and delivery against its stated goals will be key to sustaining confidence. There was no change to the current Dedicated RI categorisation.

Human rights

LVMH - Social

Objective: We engaged with LVMH's Investor Relations ESG lead follow up on two alleged social controversies. The objective of the meeting was to better understand the materiality of recent allegations of misconduct and labour rights abuses within the group and whether this pointed to broader structural problems. Specifically, we discussed a sexual harassment claim at Moët Hennessy and labour violations in Loro Piana's Italian supply chain. This engagement was aimed at gathering information, setting expectations for remediation, and assessing any implications for our responsible investment view of LVMH.

The meeting began by exploring the Moët Hennessy harassment case. Management categorically denied the ex-employee's claims of a sexist culture, describing the incident as isolated rather than symptomatic of a broader problem. They emphasised that internal metrics such as sick leave and exit interviews have not indicated systemic issues, despite reports of elevated numbers by media sources. Moët Hennessy's leadership team highlighted a 50% female representation in senior roles and outlined staff support through employee programmes like the LVMH Heart Fund (which offers staff financial aid and counselling in times of need). An internal investigation was launched, and management reiterated their commitment to a safe, inclusive workplace, promising enhanced conduct training and standards. Management believes this is an isolated case and highlighted that the individual had bypassed internal grievance channels and taken her story public, leading LVMH to defend its reputation through a defamation complaint.

Turning to Loro Piana's Italian supply chain, management addressed the discovery of illegal subcontracting and worker exploitation by one supplier in May 2025. Loro Piana immediately terminated contracts with the supplier and all associated sub-suppliers. In July 2025, the division was placed under court supervision for one year to ensure labour compliance. LVMH responded by launching hundreds of unannounced supplier audits, tightening subcontracting approval protocols, and granting auditors greater access to lower-tier suppliers. The group also strengthened its oversight by engaging directly with all manufacturing heads and collaborating with industry peers and Italian authorities on national supplier certification programmes. The company also noted that this is a sector wider problem in the northern Italian manufacturing region, with a number of companies negatively affected by illegal and hidden subcontracting of orders.

Management noted that these incidents have not had a material impact on LVMH's financial performance to date, but acknowledged the reputational risks involved. Ensuring ethical labour practices is now a top priority group wide. We were also told that Bernard Arnault, LVMH's CEO, personally convened all manufacturing heads to reinforce these expectations, underlining how seriously the group takes this matter.

Outcome: The engagement gave us to better understanding of LVMH's actions and commitments regarding these ESG issues. On the basis of our dialogue, we believe that management addressed our questions openly and demonstrated in the case of Loro Piana, a clear plan to prevent future occurrences. As a result, we maintain our current responsible investment categorisation of LVMH. We expect LVMH to follow through on its enhanced oversight measures and will continue to monitor progress. We concluded by reinforcing our expectations that LVMH maintain high standards on workplace conduct and supply chain labour conditions, and management agreed to keep us updated on the outcomes of the internal investigation and the audit programme.

Governance

We always try to engage with companies where there are contentious issues, or votes against management are proposed by our proxy advisor. Not all companies are willing to interact with us. We have identified when this is the case. We use recommendations from our proxy advisor based on our voting policy to inform our voting decision-making. However, we do not always follow the proxy adviser's recommendations and have disclosed this in the engagements detailed below.

Alibaba - Governance

Objective: To assess the suitability of Alibaba Group's appointed auditors in light of recent controversies.

We have concerns surrounding the reappointment of PricewaterhouseCoopers Zhong Tian LLP (China) and PricewaterhouseCoopers (U.S. and Hong Kong) as the company's auditors. In September 2024, China's Ministry of Finance and the China Securities Regulatory Commission (CSRC) imposed a six-month ban on PwC Zhong Tian from auditing mainland companies listed overseas. The ban followed findings that the firm had breached reporting obligations during its 2019-2020 audits of a mainland enterprise listed in Hong Kong. While we had previously supported the appointment, the regulatory action raised concerns about the firm's reliability and the potential impact on investor confidence.

Outcome: Following our review, we decided to vote against the reappointment of the auditors. We outlined our voting decisions with the Investor Relations team, referencing the regulatory breach and the related risks to audit integrity.

AstraZeneca - Governance

Objective: We engaged the board of AstraZeneca as part of an Investor Forum collaborative engagement. The objective of the engagement was to better understand comments made by the CEO in connection with moving the company's primary listing to New York.

As part of the Investor Forum collaboration, we supported a letter sent to the chair seeking clarification. Given the potential impact to the UK investable universe and the consequences for clients who allocate capital to companies listed in the UK, we raised our concerns regarding a potential move in the company's listing. Owing to the potential costs and upheaval attached to a move of listing, a solid rationale would be needed to support a change. Investor Relations were the main point of contact, and the team conveyed that the chair acknowledged the letter and highlighted that they would not formally respond to what they consider 'speculation' and 'misrepresentation' regarding the CEO's comments but appreciated investor feedback.

Outcome: The engagement achieved its aim in conveying its concerns and views to the board. The board also committed to appropriately communicate and consult on a move of listing to the US. We will monitor future developments.

Fidelity China Special Situations - Governance

Objective: This was a general engagement with the Senior Independent Director (SID) to discuss progress on several topics including responsible investment disclosures.

We engaged with the Senior Independent Director of an investment trust to raise a number of items including board gender diversity, director shareholdings, responsible investment disclosures and potential chair over boarding. As part of our last regular review of the investment trust landscape, no material concerns were raised. Recently we have noted that board gender diversity has fallen below FTSE listing recommendations to 33%. We addressed this issue, with the SID, who emphasised that this is something the board is focusing on. Given the relatively small size of the board and the low tenure of most members, it may take a few years to remedy but the SID committed to achieving 40% gender diversity through the next hire, likely to be when the chair steps down.

We also raised potential over-boarding concerns regarding the chair, who currently holds three investment trust board positions (all in the chair role). The SID assured us that the chair is committed to the trust and indicated that he will be stepping away from one commitment shortly (although exact timeframe not yet confirmed).

On the issue of board member shareholdings, we were surprised to see that three out of six board members currently have no or low shareholdings in the trust. We do not have a fixed holding expectation but do expect to see some level of steadily increasing

shareholding to demonstrate commitment and belief in the portfolio. The SID did not seem aware of the concern but indicated that it would be raised at the next board meeting.

Finally, we encouraged the trust to improve responsible investment related disclosures. This topic was raised on during our review of the trust in 2023 and has seen little improvement. The trust does not provide portfolio specific vote reporting. It has previously provided engagement examples but has been recently advised not to publish these given the more uncertain ESG environment. We expect stewardship disclosures to be made available to shareholders.

Outcome: We maintain our RAG rating on the trust but will monitor several items moving forward. Director shareholdings and the chair's external commitments will be reviewed prior to the 2026 AGM. In the medium term we will monitor gender diversity and expect to see improvements in responsible investment disclosures, with reporting on trust specific voting outcomes a minimum expectation.

Kering - Governance

Objective: We engaged with the ESG Investor Relations Manager at Kering SA to raise concerns about the remuneration policy relating to the incoming chair.

François-Henri Pinault, who previously held both the Chief Executive Officer (CEO) and chair roles, has stepped down as CEO but will remain as chair. Under the current remuneration arrangements, the vesting of the long-term incentive plans (LTIPs) awarded during his executive tenure will not be adjusted to reflect his change in role. Although the proposed policy confirms that no further LTIPs will be granted to the chair, the vesting schedule for the existing awards remains unchanged. The company stated that this approach is appropriate during the transitional period.

Outcome: We voted against the remuneration policy, as it is not considered best practice for a chair to retain performance-based incentives. This decision reflects our expectations for clearer separation between executive and non-executive remuneration structures.

London Stock Exchange - Governance

Objective: An update on the company's remuneration strategy from the chair of the Remuneration Committee.

Following on from our engagement and vote against the remuneration report at the 2025 AGM, the company has announced it will be reverting to the stated policy and abandoning proposed discretionary changes to award levels. For the 2025 long term incentive plan (LTIP) award, the company's Remuneration Committee proposed 50% threshold award levels for median total shareholder return achievement. Previously the award level sat at 25% for median performance. We were not comfortable with the changes to threshold vesting in the absence of a revised remuneration policy.

Outcome: We welcome the board's responsiveness to shareholder engagement and believe the reversion to is a positive outcome.

Invesco Asia and Asia Dragon Trusts - Governance

Objective: To receive a general update from the chair following the merger of the Invesco Asia and Asia Dragon trusts and understand any key changes.

We engaged with the chair who provided an overview of the structure following the merger of Asia Dragon and Invesco Asia. The board is comprised of eight members, two of whom (including the chair) will step down at the next AGM. The remaining six board members will stay on, and no additional members will be joining. A new chair will be selected from the pool of six. All board members bring a diverse skillset covering Asia specific expertise as well as fund management/investment banking experience, as well as meeting diversity expectations.

The manager has a clear and strong approach on how it integrates ESG principles across this portfolio. ESG risks and updates are monitored by the board on a quarterly basis. The board has specifically asked for stock-specific examples of engagement tackling different issues. Examples are also published in the annual report along with key disclosures and metrics.

Overall, there are no ESG-related issues where board governance and ESG monitoring is concerned.

Outcome: Confirmation of clear ESG integration policies across the portfolio and examples of active engagement from the investment manager. Evidence of board ESG management and oversight as well as integrated annual reporting and disclosure of sustainability-related metrics and data. We maintained our RAG rating.

Nike - Governance

Objective: To raise concerns regarding the re-election of a non-executive director.

We have concerns regarding the re-election of a non-executive director who benefits from a multi-class share structure, which grants unequal voting rights to directors. Despite previous engagements, Nike has not provided a timeline or commitment to transition to a single class share structure. We reiterated our concerns and emphasised the importance of equitable governance practices that protect shareholder rights.

Outcome: We chose to withhold our vote on the re-election of the non-executive director. This decision reflects our belief that unequal voting rights disadvantage ordinary shareholders over the long term. Our rationale was formally communicated to Nike's Investor Relations team.

Pershing Square (PSH) - Governance

Objective: The company contacted Quilter Cheviot following our engagement last year.

In our last engagement we raised concerns regarding the manager representation on the board. Following this, the manager representative is no longer a member of the Nominations Committee but does remain on the board.

Outcome: There is no change to the RAG rating as the board still has manager representation, however, this is a small step in the right direction.

Prosus - Governance

Objective: Raise concerns regarding Prosus NV's remuneration report and policy, following consistent issues identified in previous years.

We engaged with the Investor Relations team at Prosus NV to discuss the proposed remuneration policy, which we view as excessive. The total value of the pay package for the full appointment term was approximately USD 163 million. The company defended the policy by referencing the competitive nature of its operating environment and the need to attract high-calibre talent. However, the revised policy showed minimal change from previous versions and did not adequately address shareholder feedback. We also raised concerns about the governance structure, specifically the superior voting rights held by Naspers, the majority owner of Prosus. This structure benefits two directors, both of whom we voted against due to their affiliation with Naspers and the lack of responsiveness to shareholder concerns.

Outcome: We maintained our voting stance and voted against the remuneration report and policy at the 2025 annual meeting. This decision was consistent with our approach in 2022 and 2023, where similar concerns were raised. The outcome reflects our continued dissatisfaction with the company's approach to executive pay and governance. It also further outlines our expectations for more meaningful reform in future iterations of the policy.

Tate & Lyle - Governance

Objective: To raise concerns regarding the remuneration report and policy.

Concerns were raised by our proxy advisor over the proposed 13.4% increase in the CEO's base salary. We engaged the company who highlighted the significant strategic transformation undertaken since the CEO's appointment in 2018. It was also noted that the CEO's salary has been managed conservatively up to this point, resulting in a slower rate of progression compared to external peers.

We continue to have reservations about certain elements of the non-financial metrics within the annual bonus framework. While these metrics have led to substantial awards, they sometimes lack clearly defined quantitative benchmarks or robust qualitative outcomes. In particular, the elevated rewards linked to vaguely defined objectives on gender diversity and GHG emissions—often viewed as integral to core executive responsibilities—raise questions about the appropriateness of their inclusion in incentive structures.

Outcome: Given the rationale provided, on balance we are relatively comfortable with the proposed increases to the CEO's salary. Contrary to our proxy advisor's recommendation, we supported the remuneration report. However, due to concerns regarding the non-financial component of the financial bonus, we placed an abstention vote on the remuneration policy. We outlined our vote decision with the company's Investor Relations team.

Young & Co.'s Brewery - Governance

Objective: To raise concerns and seek clarity regarding a payment to departing non-executive director.

A departing director received a £17,000 retirement benefit (outside of contracted remuneration) awarded after 30 years of service. On engagement with the Company Secretary, it was outlined that this was in fact a gift owing to long service and was not a cash payment or payment upon retirement. However, the explanation lacked clarity regarding the nature of the award, and we generally consider it inappropriate for shareholders to fund substantial departure gifts for non-executive directors.

Outcome: We voted against approving the remuneration report owing to concerns regarding the one-off payment paid to the departing director. We consider this practice to deviate from established best practice guidelines on executive remuneration.



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

Japan equity fund

Objective: We engaged with the compliance and portfolio management teams at a Japanese Asset Manager to understand how environmental, social and governance (ESG) exclusion policies are implemented and monitored across their equity funds. This engagement aimed to inform the development of a benchmark and identify best practice in ESG exclusions.

The team provided a comprehensive overview of how ESG exclusions are enforced at the portfolio level through compliance systems. Once a breach of the exclusion policy is identified, the portfolio manager is required to divest within three months, subject to market conditions. No further purchases of the excluded security are permitted following the breach.

Exemptions to the exclusion policy can be proposed by investment teams and, following review by the Investment Management Committee (IMCO), applied across Pictet Asset Management. Approximately ten exemptions are currently in place and are subject to regular review. The team confirmed that audit trails, internal controls and oversight mechanisms are embedded within the process to ensure transparency and compliance.

This discussion provided valuable insight into how ESG exclusions are operationalised both at the fund level and across the wider firm.

Outcome: We were satisfied that the asset manager has robust internal processes and compliance controls in place to monitor and enforce ESG exclusions. Based on this engagement, we validated the manager's responsible investment approach as part of our due diligence process for adding a new fund to the centrally monitored universe.

RBC US Equity Focus

Objective: To understand how ESG factors and considerations are embedded at the portfolio level and deep dive into nature and climate metrics for which they were flagging as laggards against the US funds peer group.

This was an ESG-focused deep dive into the fund with the lead portfolio manager covering issues such as portfolio-level emissions alignment, commodity driven deforestation and natural capital metrics, and an insight into thematic engagements the fund managers have undertaken.

Outcome: Overall, this was a technical ESG discussion where the fund manager provided strong insights into how ESG factors and considerations are embedded at the portfolio level. Some further investigation needs to be done on Implied Temperature Rise (ITR) scoring as there were some discrepancies between the metrics provided by the manager, and those captured through our proprietary fund dashboards. The meeting provided reassurance on their climate and natural capital metrics for which they were flagging as laggards against the US funds peer group. There was no change to the RI categorisation as a result of this engagement.

Schroder European Sustainable Equity

Objective: To meet with the new fund manager and understand the changes made to the fund through both fundamentals and ESG lenses.

We met with the fund manager and supporting analyst to understand the fund changes following the appointment of the new fund manager in late 2024. There have been several changes made to the fund including: 1) a move from a broad sustainable fund to a specifically climate-focused fund and 2) an increased focus on quality stocks and large cap stocks

The key reason behind the change to a climate-focused fund is due to the personal research the fund manager undertook whilst she was studying for her master's degree. She found that owning European climate-improver companies who are decarbonising leads to more financial returns in the long run. She is focused on companies that are decarbonising today and relying on published regulatory data and is not looking at climate targets or using third party data which usually rely on estimates. In her opinion the focus on climate means that it will be easier to ground information in hard science and data as opposed to subjectivity which comes with some social and governance factors. These latter metrics are still monitored and engaged on an ad hoc basis.

There is strong engagement with portfolio companies both at the fund level and centrally by the Sustainable Investment team. The fund manager is of the view that focusing on thematics is not an optimal strategy as it is not enough for companies to be just 'green' without producing returns.

Overall, the fund manager presented a clear overview of the fund's renewed investment philosophy, demonstrated how decarbonisation and broader ESG is considered and integrated across the fund as well as across the wider organisation.

Outcome: Renewed understanding of ESG integration and consideration of key material ESG issues across the fund. This insight will aid the fund research analyst in his review of the fund and validated the existing RI classification.

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 ¹	Discretionary holdings within the global equity and investment trust monitored lists where we have voting rights. 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. MPS (Managed Portfolio Service) Building Blocks Sustainable Opportunities Balanced Fund and Sustainable Opportunities Growth Fund ² Quilter Cheviot Global Income and Growth Fund for Charities Quilter Investors Ethical Fund AIM Portfolio Service Quilter Cheviot International Funds Libero Balanced Fund
Engagement	Centrally monitored holdings AIM Portfolio Service holdings UK holdings where we own more than 0.2% or £2 million of the market cap (governance matters only)
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 2024, Quilter Cheviot's Assets under Management (AuM) was £29.5 billion. Of this £27.3 billion (92%) are centrally monitored holdings. Of the remainder £0.2 billion is held within investment manager (IM), led ideas and a further £0.8 billion represents 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 client³.

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 Depositary 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 and does not include external platform managed assets which are not replicated on our in-house systems (£1.0 billion of the overall AuM), as well as £0.22 billion in externally held and administered positions in Quilter Cheviot managed funds.

RI Reels

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



Proxy Voting in 2025

Kirsty Ward is joined by Greg Kearney, Senior Responsible Investment Analyst at Quilter Cheviot, to discuss 2025's proxy season.

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 changed of the 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.

This is one of the three Quilter responsible investment priorities.

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.

This is one of the three Quilter responsible investment priorities.

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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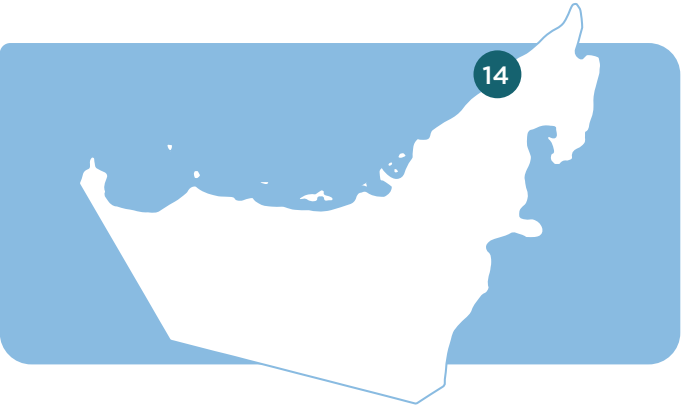
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Our experts are here to help you



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