QUILTER CHEVIOT

# Responsible Investment 2024 report

Approver: Quilter Cheviot Limited January 2025

SPECIALISTS IN INVESTMENT MANAGEMENT

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# Introduction

# A year in review

*As we reflect on the past year, 2024 has been another busy year, with a particular focus on reporting. With the introduction of the new SDR (Sustainability Disclosure Requirements) regulations and the ongoing TCFD (Task Force on Climate-related Financial Disclosures) reporting requirements, this enhanced our disclosure of responsible investment activities for the investments we manage. Stewardship activity remained busy, with the team spearheading several high-profile climate and governance related engagements.*

**Voting and ESG factor integration** - Throughout the 2024 proxy season, we voted against social-related shareholder requests that conflicted with our stance on human rights issues. Notably, there was an increase in anti-ESG counterproposals from shareholders across the US. This new trend, driven by typically right-wing conservative shareholders, argues against corporate actions on climate change and diversity, claiming they detract from shareholder value. This trend reflects a broader pushback against the perceived overreach of progressive policies in corporate governance.

As part of our ongoing ESG dashboard optimisation, we began developing ESG fund dashboards and integrated new data into our equity ESG dashboards as part of our enhanced Dashboard 2.0, which utilises more granular data points. This process continues to refine our integration of ESG (environmental, social, and governance) factors into our investment process.

**Collaborative and thematic engagements** - Engagement activity remained high on the team's agenda, with climate being a key focus throughout the year. We continued our collaborative engagement efforts, with an active participation in the Climate Action 100+, PRI Spring, and Nature Action 100 working groups. The team also focused on the completion of the second report on the highest emitting direct equities, and our first engagement with our largest third-party fund managers. Additionally, we have joined the Wealth Managers on Climate and the IIGCC External Fund Managers Working Group, these groups enable us to join with other investors and engage with third-party managers that we invest in on climate-related issues.

**Our team** - **Rupert** joined the team for a six month contract, focusing on a fund project to further enhance our approach to assessing third party managers from a responsible investment perspective. For the second year running we were also pleased to have welcomed two interns, **Freya** and **Harry**, who spent their time exploring data veracity and assessing our third-party managers' approach to monitoring controversial weapons, contributing fresh perspectives and research to our ongoing projects. RI reels continued into its third year, with eleven videos published across the year.

# Meet the team

# Your responsible investment team

**Gemma Woodward, Head of Responsible Investment**

Gemma joined Quilter Cheviot in 2015 to develop its approach to responsible investment and lead the strategic direction across the business. Within Quilter Cheviot she is a member of the Investment Oversight Committee and chairs the Sustainable Investment Forum. Externally Gemma is a member of TISA's Responsible & Sustainable Investment Committee, as well the Advisers Sustainability Group for the FCA, having previously sat on the Disclosure and Labelling Advisory Group (DLAG). She has 30 years of investment experience and has spent much of that time focused on the charity sector, and specifically clients with complex responsible investment requirements. Gemma has held multiple trustee and investment advisor positions for charities and is currently a trustee and chair of the investment advisory committee for a large medical grant making charity, as well as being an independent investment adviser for another charity. She is a Chartered Wealth Manager and has a degree in history from Durham University. Gemma's experience of being an investment practitioner clarifies the real-life issues of incorporating ESG factors within the investment process and for client portfolios and strategies.

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**Greg Kearney, Senior Responsible Investment Analyst**

Greg joined Quilter Cheviot in 2019 and his role is focused on providing oversight and leadership for our active ownership agenda including our voting and engagement activity. This includes structuring and delivering thematic engagements. Greg represents Quilter Cheviot on several collaborative working groups including those for Climate Action 100+ and Nature Action 100, as well as the 30% Investor Club. He studied International Political Economy at the University of York and holds the Chartered Alternative Investment Analyst (CAIA) qualification. Greg's experience working at the UN backed PRI has informed Quilter Cheviot's approach to responsible investment and understanding what best practice looks like.

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**Nicholas Omale, Responsible Investment Analyst**

Nicholas joined Quilter Cheviot in 2021. and has been integral in the development and use of systems and data to better inform our ESG integration and active ownership activity. Additionally, he led the cyber security thematic research in 2024 and engages with investments to better understand how they manage ESG (environmental, social and governance) risks and opportunities. Prior to joining Quilter Cheviot, Nicholas completed the Investment Trainee programme at BNP Paribas Asset Management and has an MSc in International Financial Management from Queen Mary University of London. He has also completed the CFA ESG qualification and CFA UK Investment Management Certificate (unit 1). Nicholas' quantitative approach to responsible investment brings a new skillset to the team and has enabled the building of new data tools to help with our stewardship activity.

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# Your responsible investment team

**Margaret Schmitt, Responsible Investment Analyst**

Margaret joined in May 2023 as a climate specialist within the team. She oversees Quilter Cheviot's climate strategy for its investments including the development of our Climate Action Plan. She leads climate-related engagements, including collaborations (Climate Action 100+, IIGCC Net Zero Engagement Initiative) and is a member of the IIGCC External Fund Managers Working Group, as well as Wealth Managers on Climate. Margaret also supports the delivery of annual TCFD group, entity and product disclosures. Prior to joining Quilter Cheviot, she worked in ecological research before joining a consultancy on carbon accounting and biodiversity. Margaret graduated with a degree in Environmental Science and Policy from Grinnell College (Iowa, USA). Her climate expertise is key to Quilter Cheviot's approach and disclosure in this area.

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**Ramón Secades, Responsible Investment Analyst**

Ramón joined Quilter Cheviot in 2022, and his particular focus has been on the investment trust sector, where Quilter Cheviot has engaged with boards and managers to further good governance standards. He actively contributes to our other engagement activity, and co-ordinates the ongoing enhancement of our proprietary engagement tracking tool. He helps guide the use of our exclusion screening system as well as providing support to the voting process during proxy season. Ramón earned his Business degree from Royal Holloway University. Additionally, he holds the CFA certificates in ESG Investing and Climate Change Investing, as well as a CISI Level 3 qualification. Prior to joining Quilter Cheviot, Ramón worked for corporate governance and ESG consultancy firms, and brings that experience to this role.

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**Kirsty Ward, Responsible Investment Analyst**

Kirsty joined in 2022 and manages our voting activity where her prior experience as a resourcing co-ordinator has been beneficial in developing a streamlined and efficient proxy process. She contributes to our ongoing engagement programme, with a particular focus on social issues. She plays an active role in collaborative initiatives focused on diversity and inclusion, including the 30% Club "Fix the Exec" working group and Find it, Fix it, Prevent it which is focused on modern slavery. At Quilter. Kirsty is a co-lead of the Cultural Diversity Community. She graduated from the University of Nottingham with a degree in Politics and since then she has completed the CFA ESG qualification, CISI Level 3 International Certificate in Wealth & Investment Management.

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# What we do

## Overview of our responsible investment approach across discretionary holdings at Quilter Cheviot

### Stewardship

Our approach can be broken down into two main activities:

**Engagement**
We are active owners on behalf of our discretionary clients. We initiate dialogue with companies (including investment trusts) and funds. Engagement can be carried out in reaction to concerns or to better understand a company's approach to material sustainability issues. We engage to better understand and manage individual company and fund related risks but also to contribute to the better functioning of markets in which we operate.

**Voting**
We use our voting rights to express formal approval or disapproval of the way investee companies or investment trusts are managing risks and opportunities. As well as being a core aspect of being an active owner, it is an important escalation tool in our stewardship process. In addition to our discretionary portfolio service voting (and engagement) coverage includes*:

- MPS (Managed Portfolio Service) Building Blocks
- Climate Assets Balanced Fund and Climate Assets Growth Fund
- Quilter Cheviot Global Income and Growth Fund for Charities
- Quilter Investors Ethical Fund
- AIM Portfolio Service
- Quilter Cheviot International Funds
- Libero Balanced

### ESG Integration

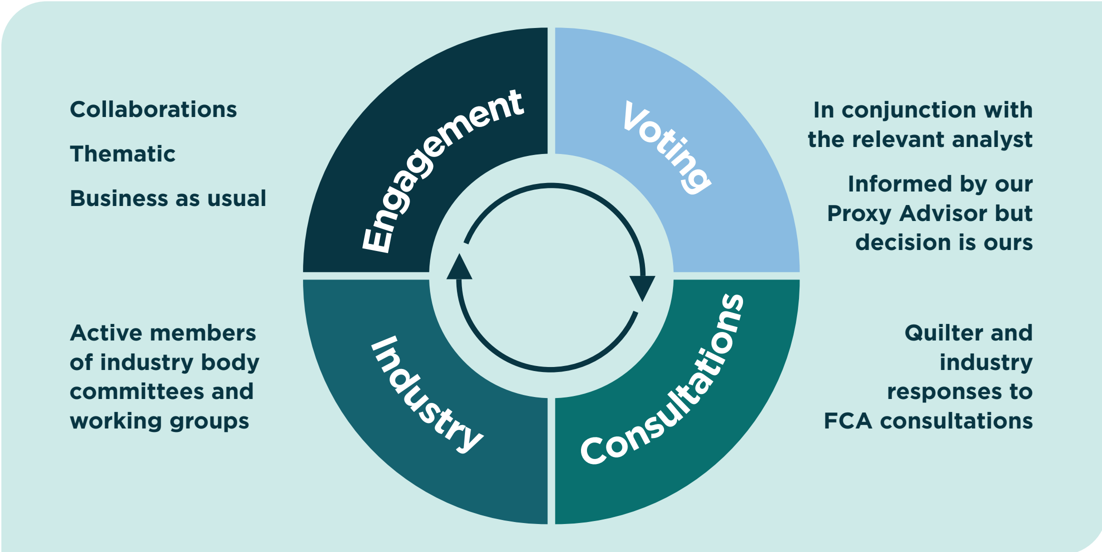
- Analysing ESG data to better inform investment decisions
- ESG integration applies to holdings which are within the monitored research universe, focussing on our core list of equities, funds and fixed income holdings.
- Our proprietary ESG data dashboards leverage multiple data providers including MSCI, ISS, Sustainalytics, Ethical Screening, RepRisk, LSEG Refinitiv, CDP and other NGO data.
- Working alongside the research teams to continually enhance our ESG integration approach. This is part of our investment process.
- It is not about excluding certain activities, but it is understanding the ESG related challenges and opportunities.

### ESG Screening

Ethical and value oriented investment based on customer requirements is incorporated on an individual customer basis, informed by their specific ethical preferences and values within Quilter Cheviot's discretionary portfolio service. These will vary from client to client and will focus on sectors, industries, or individual companies.

*This includes our global equity and investment trust monitored lists; as well as holdings in the AIM Portfolio Service and UK holdings where we own more than 0.2% or £2 million of the market cap. 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 where Crest Depositary Interests (CDIs), ADRs or GDRs are held. Ability to vote on these holdings differs on a case-by-case basis.

# Being an active owner




Best practice stewardship is not about single company or fund engagements on governance topics, we aim to do more.

We want to amplify our engagement voice and outcomes as well as create a more enabling environment for our approach to responsible investment. We are doing this in a number of ways:

### Collaborative engagement

We use a number of collaborative forums including to join with other investors to undertake engagement.

### Industry participation

We have representation on industry group's responsible and sustainable investment committees - where we are looking to share best practice and feed into industry thinking in enabling a supportive policy environment.

### Engaging the wider 'ecosystem'

We aim to engage with external industry actors that contribute to the operations of investee companies this includes recruitment consultants and remuneration consultants. This is not only an effort to facilitate systemic change but also allows us to have more informed conversations with investee companies when discussing material topics like diversity and remuneration.

# 2024 in review

# Climate change: overview

Climate Change is the defining issue of our time, and we are at a defining moment. From shifting weather patterns that threaten food production, to rising sea levels that increase the risk of catastrophic flooding, the impacts of climate change are global in scope and unprecedented in scale. Without drastic action today, adapting to these impacts in the future will be more difficult and costly*.

SDG Alignment: 7 Affordable and Clean Energy, 13 Climate Action, 15 Life on Land

## Thematic engagements

**The elephant in the room: The exodus of US managers from Climate Action 100+**

**Taking the temperature - Assessing progress on climate transition plans**

**Slipping through the net? Third party managers and net zero ambitions**

**Phase 1 - 2023/24**

## Collaborations

**Part of Climate Action 100+**

**2023 onwards**

**Part of the IIGCC Net Zero Engagement Initiative**

**2023 onwards**

**Wealth Managers on Climate**

**2024 onwards**

**IIGCC External Managers Working Group**

**2024 onwards**

**CDP SBTi Campaign**

**2022 onwards**

* United Nations

# Climate change: case study

## The elephant in the room: The exodus of US managers from Climate Action 100+

Several large US-based asset managers have recently withdrawn their membership of the Climate Action 100+ (CA100+) initiative. We were disappointed by this development, and wanted to better understand whether this was indicative of weakening climate stewardship practices in US markets.

Climate Action 100+ is an investor-led initiative launched in 2017 to ensure the world's largest corporate greenhouse gas emitters take action on climate change. It is supported by five investor networks and has over 700 investors targeting 170 major companies. The initiative aims to improve climate governance, reduce emissions, and enhance climate-related financial disclosures. Investors can collaborate or engage with companies individually.

This shift is ultimately a symptom of the times – whereby companies and countries are wrestling with the costs and the imperative to address the looming climate crisis, and repeatedly choosing to defer. The decision to leave a prominent climate-themed collaborative engagement is as much driven by public optics today as it was when these firms joined the initiative in 2020-2021, when popular support for responsible investment swelled. In today's politicised and polarised context, remaining a named member of collaborations like CA100+ carries increasing reputational risk for firms in the US; as one firm put it, "the juice is no longer worth the squeeze."

There is certainly an element of opportunistic backsliding in these withdrawals; it is notable that of the five firms withdrawing or initiating changes in their CA100+ memberships, only two formally communicated with CA100+ organisers prior to the media announcements. However, the departing firms' limited public communications about their decision seems an acknowledgment of the politicisation of such endeavours. Presenting minimal defence or context to the decision, and knowingly allowing enough room for interpretation for anti-ESG advocates to 'claim victory', means firms may ultimately better preserve their autonomy in climate stewardship longer-term. This approach may be an indication of how firms now navigate the politicised-ESG landscape.

Whether this change proves to be merely symbolic or simply the latest stage of the ongoing culture wars against 'woke' asset managers remains to be seen. These withdrawals further evidence a deepening divergence between US based and EU-based firms' approaches to climate stewardship, which certainly is not a progressive development. We consider collaborative engagements like CA100+ critical tools in tackling the complex, systemic risks climate change creates for the global economy, and asset managers have a responsibility to protect the value of clients' investments in the longer-term. We view asset managers taking meaningful action on climate change as a key priority and will continue to scrutinise their endeavours.

*Slipping through the net? Third party managers and net zero ambitions*

### Our approach

We were interested in understanding how firms approach and implement their NZAM targets, from a strategic level, down through to management of individual funds. Where firms had specified funds that were part of its NZAM target we felt that including individual fund managers in our conversations was a helpful insight, to assess how the firm's NZAM targets affected them (or did not). For seven of the 20 firms we engaged with, individual fund managers were part of that discussion.

Following our engagements, we assessed firms' responses against our climate alignment criteria, and assigned scores accordingly. The criteria were deliberately weighted towards rewarding the Strategy and Engagement components of firms' NZAM commitments. We were interested in understanding:

1. how thoroughly a firm interrogated alignment feasibility before setting targets
2. whether they had a clear strategy for achieving their targets
3. how integrated this target was in the management of individual funds QC is invested in.

#### Outcomes: Translating firm-level to fund-level

Several themes came out of our discussions. The first and perhaps most salient: the most common approach to net zero alignment made discerning fund-level alignment very challenging. Most firms we spoke with had chosen to align their committed assets by asset class rather than by fund. Where a firm's commitment applied to all of its listed equities, for instance, it would mean that only the proportion of the fund made up of listed equities (say, 45%) would be considered committed to aligning. This approach makes it impossible for those invested in third-party funds to neatly categorise their investments as either committed to net zero or not.

**Example: Tale of two tracks: comparison of fund-level versus. asset class alignment:** Firms tend to structure their net zero commitments within their assets in two ways: by asset class or by fund. The more common approach among the firms we met with was asset class-alignment within a sub-set of its universe (usually segregated mandates, or those with sustainability mandates; or the assets of a parent company asset owner). Many firms chose this approach for its ease – its targets focus on ring-fenced portions of its universe and only apply to those asset classes with well-established alignment methodologies. This approach also neatly avoids the fraught issue of appropriate exercise of firms' fiduciary duty: by only choosing to align portfolios which are either owned by the firm or those with explicit mandates in place.

Although straight-forward in these ways, this approach complicates how these targets apply to clients' investments. Because only portions of individual funds or portfolios are included, it is a more complex, nuanced answer to the question 'Are my investments included in the firm's net zero target?'

The less common approach is to set 'whole-of-portfolio' targets, where entire funds (all assets) are included in the firm's targets. Although both methods require fund managers' support in delivering the targets, when entire portfolios are included in a firm's targets firms typically expend more effort obtaining explicit agreement from fund managers. Despite this, this approach has the obvious benefits of simplicity. This extends to firms' ability to clearly report progress against their targets – whole-of-fund targets present more clearly.

# Climate change: case study

## Third-party manager

**Objective:** we engaged with managers to understand fully the rationale of the firms' withdrawals and how this affects their climate strategy going forward. Additionally, we wanted to speak to CA100+ to get its perspective on phase two of its work and this wave of exits. This was the most recent engagement within this program. We will engage with any further managers which exit CA100+ where we are invested in their third-party funds.

Our questions focused on the reasons and timing of the withdrawal. The firm's Chief Responsibility Officer (CRO) clarified that the firm did not object to CA100+'s Phase 2 but withdrew due to perceived legal risks around collaborative climate-focused engagement. The CRO emphasised that their concerns were not about collusion or unclear governance, but about litigation risks related to non-financial goals influencing consumer outcomes, citing the State of Tennessee vs. BlackRock case. The firm is concerned that consumer protection statutes could be used to sue asset managers involved in climate engagements.

Regarding the delay in withdrawal, the firm stated that it reversed a previous decision (made earlier in the year in February) to remain committed to the initiative. Since then, it believes the legal risks have increased, especially with the then upcoming US presidential elections heightening anti-ESG rhetoric. We challenged the firm's approach of quietly exiting the initiative without public statements or direct communication to clients. The firm argued that it was difficult to convey the nuances of its decision in a press release, which could be misconstrued by the media. However, we do not accept this as justification for the lack of transparency. The firm maintained that its approach to addressing climate risk in its investments remains unchanged. It is committed to the Net Zero Investment Framework (NZIF) and the Net Zero Asset Managers (NZAM) initiative, finding the NZAM commitments more defensible given risk aversion around climate-related engagement.

**Outcome:** We were disappointed to learn of another asset manager leaving CA100+, especially given how we found out (indirectly) and the reasons cited. The firm's CRO does not believe legal action over CA100+ membership is likely, but the mere possibility prompted withdrawal. The cited legal action from December 2023 remains unresolved, with no similar cases since, questioning the firm's view of increased litigation risk between February and June 2024. Despite assurances that the NZAM commitment remains unchanged, we will monitor for any further backsliding in their climate engagement approach.

# Climate change: case study

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

Climate Change is the defining issue of our time, and we are at a pivotal moment. From shifting weather patterns that threaten food production, to rising sea levels that increase the risk of catastrophic flooding, the impacts of climate change are global in scope and unprecedented in scale. Without drastic action today, adapting to these impacts in the future will be more difficult and costly.

Commitments made at COP28 in Dubai showed some progress but likely not enough to achieve net zero emissions by 2050. However, the summit marked the first international commitment to transition away from fossil fuels, a significant milestone. The responsibility for executing these commitments largely falls on companies and their active owners.

In December 2023, we continued our engagement program on climate disclosure and transition planning with the largest emitters in our direct equity holdings. This is an ongoing process that will require systematic monitoring to ensure companies 'walk the talk' – but based on previous learnings we approach these engagements with several expectations on what a good climate transition plan looks like:

1. A focus on the next ten years with specific short- and medium-term targets (2050 goals are welcome but action over the next decade is critical).
2. We want to see a reduction in absolute emissions. This includes Scope 3 metrics and is largely absent of carbon offsets. Carbon intensity measures can be supplemental but should not be the main target.
3. Demonstrate alignment of capital expenditure with transition targets – and consideration of Paris Climate goals into significant capital expenditure projects.
4. Limited used of carbon offsets. Residual emissions may be abated with offsets and carbon capture and storage, but use should be specific with clear end dates. This should not be a structural element of reduction targets.
5. The linking of executive remuneration to internal carbon reduction targets to help integrate transition planning into company strategy.
6. Assessment of alignment of climate transition strategy with member industry associations lobbying activities.
7. Taking ownership of Scope 3 emissions and building these into carbon reduction targets.

# Climate change: case study

## BP

**Objective:** To discuss BP's climate transition plans and disclosures. Specifically, assessing progress against previously stated plans.

BP has announced some of the most ambitious carbon reduction and capital expenditure targets of the global oil and gas majors, but in February 2022 pared back elements of climate transition goals including a watered-down target to reduce oil & gas production. A destabilising factor, from a strategic perspective, includes the dismissal of CEO Bernard Looney over misconduct allegations. Looney was a key architect of the climate transition plan, with questions being raised not only on the future commitment to the transition strategy but also the governance performance and company culture in light of his exit.

This engagement gave us a clearer view on the strategic importance of the company's 'transition growth' pillars – convenience, EV (Electric Vehicle) charging and bioenergy being the short-medium term drivers of performance – with more capital expenditure dedicated to these areas. At this point investment in renewables power volumes is playing a supportive role in feeding into EV charging provision and energy trading – rather than creating a scalable mass generation business of itself. Hydrogen activities are nascent and again centred on decarbonising existing activities rather than forming scalable and commercial businesses themselves. On methane emissions – current reduction targets are related to estimated intensity measures, but this will switch to an absolute reduction target of 50% by 2030 once the ability to measure (rather than estimate) is realised. A focus on methane is welcome – more work needs to be done on working with partners and non-operating entities on expanding this effort, as it is one of the most effective ways of reducing emissions in the short-term.

**Outcome:** This update on progress is set in the context of weakened oil and gas reduction targets and a departing CEO who was key to driving their transition strategy. Externally the company is committed to the current, ambitious transition plan that is in place (and will be restated in 2025), but whether an incoming CEO would have a different strategic focus remains unclear. Pressure from a segment of shareholders to focus on more of a US-orientated oil and gas expansion strategy remains (versus European-based transition demands). We requested a commitment to shareholder voice on transition strategy by committing to regular general meeting agenda item approval. Our conversation was consistent with previously stated plans, and we will monitor developments moving forward.

# Human rights: overview

Human rights are 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*

SDG Alignment: 5 Gender Equality, 8 Decent Work and Economic Growth, 10 Reduced Inequalities, 16 Peace, Justice & Strong institutions

## Thematic engagements

**Investing in diversity disclosure**

**Safety is no accident: occupational health and safety practices**

**Defending data:** cyber security and critical infrastructure

## Collaborative engagements

30% Club
GROWTH THROUGH DIVERSITY

**Fix the Exec**

**2023 onwards**

**Modern Slavery collaborations:**

- Find it, Fix it, Prevent it

  **2022 onwards**

- Modern Slavery in the UK

  **2021 onwards**

* United Nations

# Human rights: case study

## Defending data: cyber security and critical infrastructure

This engagement programme targeted our most material holdings in the IT software and telecoms industry groups. We completed a risk assessment on the cyber governance of these companies and have used the conversations as an opportunity to establish best practice cyber governance. Using the UN backed Principles for Responsible Investment's (PRI) cyber governance framework, we have evaluated board communication, business continuity, training, and skills and resources. We have also assessed the threat environment to identify current and emerging threats.

**Board communication, skills, and resources:** all companies have a systematic process for regularly communicating cyber security risks to the board, with meetings varying from quarterly to annually. Chief Information Security Officers are involved, and the audit and risk committee oversee cyber security.

**Current and emerging threat landscape:** the current threat landscape is dominated by state actors, especially since the war in Ukraine. BT found evidence of state actors targeting telecom companies for financial gain. Other risks include insider threats, ransomware, and phishing. Emerging threats involve AI and deepfake videos, with future concerns about quantum computing bypassing encryption security.

**Disclosures on cyber security budgets:** explicit disclosures on cyber security budgets were limited due to confidentiality. However, metrics on operating expenses and the number of cyber security employees were provided. Companies with no significant breaches in the last three years had the largest teams and fastest budget growth.

**Cyber security training:** mandatory training is standard across all companies, conducted quarterly or annually. Topics include social engineering and phishing, with some companies using simulations and email alerts. SAP and Sage have cyber security ambassadors who receive additional training.

This engagement programme aims to establish best practice cyber security governance for the IT software and telecoms industry. Different companies have varying risk profiles; for example, telecoms network providers, which hold retail customer data, face higher risks than infrastructure-focused telecoms or IT software companies.BT leads in best practice due to its customer-facing role, having no major breaches in the last five years. BT's approach includes using best practice security standards, continuous threat monitoring, regular employee training, and partnerships with industry, government, and customers. These measures help BT maintain its leading position, and similar companies are encouraged to adopt this approach. Cyber security remains a key investable theme in our portfolios.

# Human rights: case study

**BT**

**Objective:** To discuss the cyber governance at BT.

BT Group is a provider of the UK's critical infrastructure and serves multinational companies and governments globally. As a result of this, the company is a high-risk target for hostile cyber actors. The first discussion point was on BT Group's cyber security journey and its commitment to this issue. Cyber security is integral to its business, and this is exemplified through the company's resource, partnerships, and spending. The company employs over 10,000 people in its technology unit and spent a total of £604 million on research and development last year. These technology units include specialist facilities dedicated to cyber security. The company has combined the cyber, physical and personnel security teams into one function under a new expanded role of Chief Security and Networks Officer, who sits on the Executive Committee. Through this function, there are direct reports to the board on a quarterly and ad hoc basis. The audit and risk committee has the primary responsibility for monitoring cyber security closely and receives additional support from independent and external strategic cyber security assessments. From reviewing the threat landscape, BT has identified five key risks which are referred to as vectors. These vectors include Nation States, Hacktivists, Criminal, Terrorist, and Insider Threat. These vectors can and do operate together. The two vectors highlighted for posing the most significant risks are Nation States and Criminal Groups. The threat from Nation States has grown significantly following the war in Ukraine and the company has found some evidence that these state and criminal groups are actively targeting BT and other telecommunication companies, seeking to make financial gain. With regards to emerging risks, AI and machine learning has been highlighted as a key threat. BT's internal research has found AI and machine learning could be weaponised as security threats. The company has industry, government and customer partnerships which are used as an opportunity for wider learning. These are some of the main factors being used by the company to maintain its leading position.

**Outcome:** This was an engagement for information which we have used to improve our understanding of best practice cyber governance. BT Group is engaged with this topic and has demonstrated its commitment through its partnerships, resources, and expertise. There were no major breaches identified against the company and we are pleased with the level of disclosure provided on all topics discussed. This evidences how the company is following best practice and we will use this to benchmark against industry peers.

# Natural capital: overview

Natural capital can be defined as the stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits and ecosystem services to society*. The purpose is to understand the impact that companies have on the natural world including water, deforestation and biodiversity. SDG Alignment: 6 Clean Water and Sanitation, 12 Responsible Consumption and Production, 14 Life Below Water, 15 Life on Land.

*Task-Force on Nature-related Financial Disclosures

## Thematic engagements

**Woods for the Trees: how companies are responding to EU Deforestation Regulation**

**2024**

## Collaborations

**Nature Action 100**

**2023 onwards**

**PRI Spring**

**2024 onwards**

* Task-Force on Nature-Related Financial Disclosures

# Natural capital: case study

**Woods for the Trees: how companies are responding to EU Deforestation Regulation**

In 2024 Quilter Cheviot launched a thematic engagement with monitored investee companies most exposed to deforestation linked commodity use to better understand how they are managing these risks and preparing for the upcoming regulatory changes. As part of our engagement activities on the topic of natural capital, Quilter Cheviot has been working as part of the 'Forest Champions' program, run by the environmental non-profit organisation, CDP.

Within this we have:

- used CDP's repository of company reported data on deforestation linked commodity involvement to identify companies that are most exposed to deforestation.
- combined this with recent external analysis on companies most exposed to the upcoming EU regulation on deforestation.
- identified a group of companies where we have material holdings which are most exposed to deforestation linked commodities and have significant activities in Europe.

This was a focused engagement, targeting a handful of material holdings with the aim to better understand how companies most exposed to deforestation linked commodity use are preparing for a changing regulatory environment. Post-engagement, we will continue to track conversations and outcomes and, where lacking, encourage action and application of best practice frameworks. Key requests include progress towards application of comprehensive no-deforestation policy that applies to all commodities and entire supply chains (including third party and/or indirect suppliers), as well as all markets, product lines and sourcing geographies. This is not an easy task but a crucial step in meeting the EUDR and holistically managing deforestation risk.

# Natural capital: case study

**Nestlé**

**Objective:** as part of our thematic engagement with monitored investee companies most exposed to deforestation linked commodity use, we engaged Nestlé to better understand how they are managing these risks and preparing for the upcoming regulatory changes.

Nestlé's vast global supply chain holds a high level of deforestation risk. Nestlé sources commodities in most markets where deforestation is common, notably palm oil in Southeast Asia, soya in South America and cocoa in West Africa. The company has set a cross commodity target to be deforestation-free by 2025. Nestlé began this process by establishing a rigorous palm oil verification process, heavily dependent on the use of satellite monitoring and on-the-ground partnership with local non-government organisations (NGOs). Nestlé's pioneering use of satellite technology has significantly improved efforts to monitor deforestation activity. For the most part, the company looks on course to meet its deforestation-free targets, but challenges remain in commodities such as cocoa. Cocoa does not lend itself well to satellite monitoring and the fragmented nature of the market has encouraged the company to try to establish a more segregated supply chain, through its 'Cocoa Plan'. The plan is currently significantly behind where it needs to be to verify cocoa inputs as deforestation free for the purposes of EUDR and internal targets. That said, Nestlé has invested significant resources in this area to accelerate verification and broader sustainability action.

It is important to highlight the extreme complexity involved in monitoring global commodity supply chains. There will be some limits on the transparency a manufacturing company can provide. As things stand, most modern commodity chains are not segregated but are infused with armies of smallholders, cooperatives and aggregators that can make it extremely difficult to trace the origins of every drop of palm oil (or other unit of input). For example, Nestlé palm oil supply chain has 15 layers of suppliers, the company manages to trace three or four layers of this chain. The EU Deforestation Regulation aims to implement a regime of high-quality due diligence and risk assessment for any commodity derived inputs entering Europe.

**Outcome:** On the basis of our engagement, we are comfortable that Nestlé is well prepared for the upcoming legislative changes and has a robust enough process to mitigate regulatory risks involved. Cocoa is an example of a particular input that requires further verification but is receiving additional attention from the company and we will monitor progress towards targets in this area.

# Governance: overview

We research governance related themes which inform our voting policy for direct equity holdings.

## Thematic engagements

**Succession:** evaluating board tenure in the EU

**State of Independence**

**Class inequality:** the disparity between share ownership and voting power

# Spotlight

Introduction | Meet the team | What we do | 2024 in Review | Spotlight | 2025 priorities | Voting highlights | RI at Quilter Cheviot | RI Reels

# Spotlight

**Ramón Secades,**
**Responsible Investment Analyst**

## Investment Trusts

This year we completed the final phase of our thematic engagement with investment trusts. This has been the most extensive engagement within the investment trust sector to date; a sector often overlooked by institutional investors who typically concentrate on large-cap equities. According to the Association of Investment Companies (AIC), wealth managers are large owners of investment trusts, accounting for 25% of the market. Quilter Cheviot is no exception, holding 1.6% of the market. Over the last 24 months we have engaged over 75 boards of investment trusts representing 20% of the entire AIC universe. Whenever possible, we held these meetings at our office, as face-to-face discussions typically led to better results. The engagement was also broadened in scope to include other key stakeholders in the investment trust ecosystem, such as service providers like a board evaluation firm, an executive recruiter, and the AIC.

The primary aim of this exercise was to identify the key qualities of an effective board. We had a baseline understanding of what constitutes a 'good' board, informed by previous engagements, and the AIC Corporate Governance Code. However, from our conversations, it became clear there are intangible qualities that are hard to measure, which also contribute to a board's success and or failure.

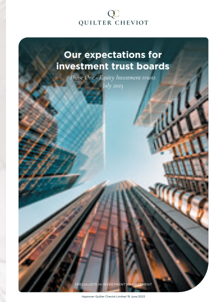
The engagement was split into three phases: equity investment trusts, alternatives, and lastly, real estate investment trusts (REITs). In this final phase, we also included several open-ended property funds to compare levels of disclosure and governance.

Our view is that boards of investment trusts should be fully independent, as this creates the best structure to defend the interests of shareholders. We prefer boards that do not include manager representatives, as we see that as a conflict with our interests as investors.

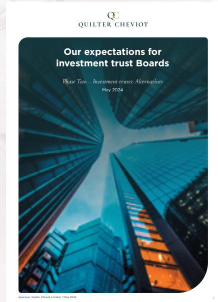
Since our engagement began, two boards who had manager representation when we first engaged, are now fully independent, following effective escalation from Quilter Cheviot, including letter to the board and voting against non-independent directors. While we can never attribute this outcome exclusively to our engagements, we consider it a positive result for our clients and shareholders overall. After evaluating all the investment trusts within our research universe, we will maintain our engagement with the boards where we have set expectations. For instance, The UK Sustainability Disclosure Requirements (UK SDR) has become a significant topic of discussion as we deliberate with boards on how this will impact their responsible investment disclosures moving forward.

If you haven't yet, I encourage you to read our trilogy of reports by clicking the links to the right.

**Phase One Report**




**Phase Two Report**




**Phase Three Report**

# Spotlight

**Nicholas Omale,**
**Responsible Investment Analyst**

## ESG factors

The Discretionary Portfolio Services (DPS) Applied strategy is for clients who have a preference for greater emphasis placed on Environmental, Social and Governance (ESG) factors. The DPS Applied 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 to ensure more emphasis is placed on ESG risks beyond the firmwide approach to active ownership and ESG integration which forms the basis of the Aware categorisation. We complete this review on a bi-annual basis.

**Examples:**

### Ecolab

We complete a review of all our monitored direct holdings on a bi-annual basis to determine the responsible investment categorisation. From our November 2024 review, we determined that unlike most of the other names we monitor within the materials' industry group, Ecolab is not faced with the challenges of the energy transition and moving to net zero. Ecolab has low absolute emissions and relative emissions intensity. Moreover, its focus on water and hygiene mean it is in the enviable position to support progress towards a healthier environment and safer workplaces. The company has also set an approved science-based climate greenhouse gas reduction target. As a result of this review, along with its solid business model and further capability to expand, Ecolab was upgraded from Neutral to Buy.

### Darling Ingredients

The company was being considered for an initiation and as per our responsible investment process, this triggered a deeper analysis into the ESG related performance of the company. Some of the areas we reviewed include its supply chain risk, governance, average board tenure and recycling. Darling Ingredients has placed increased emphasis on recycling and the circular economy. Corporate development has expanded the company's footprint into equally environmentally advantageous segments including cooking oil recycling and renewable aviation fuel. The company should be seen as part of the solution not the problem - despite the negative environmental impact of animal husbandry. We rank Darling amongst the best food companies across the material ESG metrics for its industry group, and concluded it was an appropriate company to be added to our monitored coverage, as it also has a positive valuation.

# Engagement priorities 2025

These descriptions represent prospective engagement designs, these may be adjusted as necessary.

# Direct equities
# Climate change

### Greening algorithms: Artificial Intelligence and emissions

We will engage companies involved in cloud hyper-scaling to better understand the challenges faced in meeting their climate goals. Many of these companies score well on ESG factor assessments and have been early movers in committing to ambitious decarbonisation targets, but as the construction and use of new data centres continues some companies are either struggling to manage spiralling Scope 3 emissions or relying on future emissions reduction solutions that are not yet economic or scalable. Our engagement will focus on investee companies most exposed to cloud hyper-scaling activities, principally in technology and software industry groups.

**Objectives**

- Assess the quality of climate transition plans among high emitters.
- Encourage alignment and disclosure towards the goal of net zero emissions by 2050.

### SBTi targets: meeting our Climate Action Plan

One of the key measures of our Climate Action Plan, released at beginning of 2025, is to engage equity holdings lacking a Science Based Target Initiative (SBTi) verified transition plan (where an industry relevant pathway exists). In 2025 we will be initiating the engagement process to encourage investee companies to committed to and achieve verified science-based transitions plans, of which the SBTi is the gold standard.

**Objectives**

- Meet our Climate Action Plan commitments by increasing the number of investee companies with SBTi validated targets where an industry-relevant pathway exists.

# Human rights

### Moral machines: Artificial Intelligence and ethics

As AI systems become more integrated into commercial processes, the ethical implications of its use have come under increasing scrutiny. We will engage investee companies to better assess the challenges and opportunities that arise when developing and deploying AI technologies. From issues of bias and fairness to questions of accountability, privacy, and transparency.

**Objectives**

- Explore measures companies have in place to address and manage the principles of AI use in terms of human values.
- Ensure companies have appropriate policies and practices in this area, as well as a robust standard of reporting incidents.

# Natural capital

### Disposable disclosures: consumer goods and single use plastics

In 2024 global efforts to reduce plastic waste stalled. The UN plastic treaty negotiations in South Korea failed to reach consensus while some large consumer goods companies either weakened goals to increase reusable packaging and reduce virgin plastic use or struggled to meet targets. Recent global plastic waste brand audits* have found that less than 60 companies are responsible for more than half the world's plastic pollution, with six companies responsible for a quarter of that total. We aim to engage investee companies in the consumer goods sector that can be identified as having the largest exposure to single use plastic pollution.

**Objectives**

- Understand companies' processes and policies to minimise the risks associated single use plastics.
- Understand how companies' most exposed to plastic use are preparing for a changing regulatory environment.
- Identify gaps and encourage best practice.

* **https://www.science.org/doi/10.1126/sciadv.adj8275**

# Systemic

### Mind the gap: filling in the data blanks

Quilter Cheviot produces a proprietary dashboard comprised of both publicly and commercially available data as part of the equity ESG integration process to assess company performance. While we strive to use the best, most complete data sources available, there are gaps. We will be systematically engaging companies within our dashboards to improve disclosures and better understand where this data is not being collected by ESG service providers.

**Objectives**

- Improve material company ESG disclosures.
- Improve the consistency reporting amongst service providers.
- Better understand the systemic challenges in comprehensive ESG data reporting.

# Collaborative engagements

### Climate Action 100+

Quilter Cheviot is an investor participant of Climate Action 100+ and will continue the work in 2025. Climate Action 100+ is an investor led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Being an active participant in collaborative engagement initiatives is an important element of our overall stewardship agenda and we are pleased to be a member of the National Grid and Trane Technologies engagement working group.

### Nature Action 100

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

### IIGCC Net Zero Engagement Initiative (NZEI)

The Net Zero engagement initiative aims to enable net portfolio alignment by supporting investor engagement and seeking the disclosures investors need from companies to determine if they are aligned with net zero. This engagement will therefore seek Net Zero Investment Framework (NZIF)-aligned transition plans from companies. We are part of the working groups for two target companies, Tesco and Siemens.

### Spring

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

# Collaborative engagements

### 30% Club UK Investor Group: ‘Fix The Exec’

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

# Collectives

### Where's the net? Third party managers and net zero ambitions

We will be continuing our third-party fund-alignment engagement initiated last year as part of our work with the Wealth Managers on Climate group. Following on from our letter, we will continue having discussions with our largest external fund managers outlining our expectations in addressing the climate impacts of their investments. Our engagements will include discussion of firms' rationales where they lack alignment targets, highlighting relevant barriers to setting targets (e.g. asset types lacking established alignment methodologies), and understanding what measures firms can reasonably take to mitigate the climate impact of investments.

### ESG Risk And Exposure

We continue to work to enhance our ability to interrogate and analyse underlying holdings data within third-party funds. This enables us to identify holdings more easily that have higher ESG risk factors and then engage to understand how the risks are being managed and considered by the fund.

### ESG RFI

We send our ESG (environmental, social and governance factors) Request for Information (ESG RFI) to our third-party managers annually. This ESG RFI asks for detail on the fund and firm level approaches to responsible investment. For Quilter Cheviot it is critical that we engage with our third-party managers. To effectively do so, we consider:

- responsible investment credentials and process
- diversity within the firm
- approach to climate action.

As mentioned, the ESG RFI enables us to analyse the approach taken at a firm and manager level, as well as identify areas of focus for engagement including holdings with significant climate, human rights, and natural capital related risks.

# Collectives

### Indexing active ownership: how index trackers deliver stewardship

In 2025 we will be engaging with our third-party index fund providers to better understand the quality and application of stewardship approaches. At a time when several large, mostly US, investment managers are rowing back on global responsible investment commitments we will be aiming to re-assess how stewardship is applied to passive investment processes.

### Investment trusts

In 2024 we finished a long-term engagement with our monitored investment trusts. The objective of this engagement is to improve the corporate governance practices and responsible investment disclosure in the investment trust sectors, primarily focusing on three factors. This engagement ran from mid-2022 to the end of 2024.

Although the first phase of the engagement is over, this is an ongoing engagement programme and we have established specific escalation plans including (depending on the issue):

- Voting against the chair
- Voting against adviser representatives

In 2025, we will concentrate on following up with trusts where concerns have been identified and those that have low RAG ratings. We will monitor how these ratings develop over time. In addition to the three factors of board composition, board effectiveness, and responsible investment disclosures, we will also examine how boards are addressing the UK SDR regulation as well as the management of discounts and buybacks.

# Collaborative engagements

### Wealth Managers for Climate Action

Quilter Cheviot is a proud member of the Wealth Managers on Climate Group (WMC), a collection of UK wealth managers working together to support climate action in our investments. 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.

### IIGCC External Fund Manager working group (EFM WG)

Quilter Cheviot is an active member of this working group which was established in 2024 to support ongoing net zero alignment work being undertaken for use by IIGCC members. The EFM WG will be convened for a period of approximately one year and will meet on a regular basis to develop resources relating to the use of external fund managers when attempting to align portfolios with the goals of the Paris Agreement. The initial focus will be creating target setting and implementation guidance for when investors use external fund managers to achieve their individual investment objectives.

# Voting highlights

## 2024 voting

2024 was our busiest year yet in terms of voting, placing votes at 503 during the year. However, this corresponded to fewer resolutions, 7,466 in 2024 in comparison to 7,539 individual resolutions voted on in 2023. **We have summarised the key voting issues of the period.**

### Environment

Climate-related voting remains a priority for oil and gas majors. This year, Quilter Cheviot continued to vote against management at high carbon-emitting companies, aiming for consistency in our approach based on climate risk management. In 2024, companies like **Shell** and **BP** continued to scale back their climate targets, prompting us to escalate our voting actions to express disapproval. This, along with engagement, is a crucial part of our stewardship process.

**Shell** and **BP** have committed to climate targets, but progress has slowed. At Shell's AGM, we voted against the chair's re-election and the energy transition strategy, supporting a proposal to align Scope 3 targets with the Paris Agreement. BP elected a new chair, so we did not vote against the director but will monitor developments.

For US-based companies like **Chevron**, **Exxon**, and **ConocoPhillips**, we followed a similar voting pattern as in 2023, voting against the re-election of chairs or lead independent directors due to the lack of comprehensive net zero targets.

We will not support shareholder resolutions where we believe the requirements are too specific, unrealistic or poorly structured – even if we are generally supportive of improvements in the company's climate-related disclosure.

**6x votes in favour of reporting on climate lobbying** (shareholder proposal)

We supported these requests where we consider shareholders would benefit from greater transparency of the company's direct and indirect climate lobbying, and how the company plans to mitigate any risks that might be identified.

*Companies voted on: American Express, Bank of America, Boeing, Meta, NextEra Energy, Wells Fargo*

**5x votes in favour of reporting on fossil fuel financing activities** (shareholder proposal)

We believe shareholders would benefit from greater transparency on how financial institutions are addressing any misalignments between financing activities and greenhouse gas emissions reduction targets.

*Companies voted on: Bank of America, Berkshire Hathaway, Goldman Sachs, Markel Group, Royal Bank of Canada*

**4x votes in favour of reporting on GHG emission reduction targets** (shareholder proposal)

Where we felt the current disclosure level was lacking, we supported calls for additional disclosures on how companies are assessing and managing climate related risks. This will help us better understand how these companies are managing the transition to a lower carbon economy.

*Companies voted on: Boeing, RTX, Shell (x2)*

**2x votes in favour of reporting on efforts to reduce plastic use** (shareholder proposal)

We supported this request as shareholders would benefit from additional information on how the company is managing risks related to a potential reduction in demand for virgin plastics.

*Companies voted on: Amazon, Exxon Mobil*

**1x vote in favour of reporting on Just Transition** (shareholder proposal)

We supported this request, filed at Amazon, as shareholders would benefit from additional disclosure on how the company considers human capital management in relation to the transition to a low-carbon economy.

*Company voted on: Amazon.com*

## Social

During the 2024, companies faced increasing pressure to disclose their human rights policies and practices, with a particular focus on gender and ethnic pay gap reporting. In the UK, gender pay gap reporting is mandatory for companies with a certain number of employees, and this practice is becoming more common in other major markets such as the US and EU.

Throughout Q2, there was a notable rise in requests for companies to report their unadjusted pay gap statistics. This type of data measures the average pay difference between different groups without considering factors like job role, education, or experience. In contrast, adjusted pay gap data accounts for these factors when measuring pay differences between men and women. Unadjusted pay gap data often highlights a lack of access to opportunities and can provide the following insights.

**9x votes in favour of conducting human rights risk assessment** (shareholder proposal)

Many of these resolutions were filed by shareholders at technology-based companies and banks, where there is a greater risk surrounding advertising policies and policies. We supported these requests where we consider additional information on how companies are managing and mitigating such risks would benefit shareholders.

*Companies voted on: Alphabet, Amazon, Chevron, JP Morgan & Chase, Meta, Telsa, Walmart, Wells Fargo (x2)*

**8x votes in favour of gender/ethnic pay gap reporting** (shareholder proposal)

We supported these requests, specifically where there were calls for the company to report on its adjusted and unadjusted median pay gap statistics, as these would allow shareholders to evaluate and measure progress towards reducing pay inequities more fully.

*Companies voted on: Amazon.com, Apple, Exxon Mobil, Marriott International, NIKE, Boeing, Goldman Sachs Group, Procter & Gamble*

**7x votes in favour of reporting on the use and risks associated of artificial intelligence** (shareholder proposal)

We supported this shareholder request as additional disclosure on how the company intends to manage misinformation and disinformation risks related to generative AI would help shareholders better evaluate the company's approach.

*Companies voted on: Alphabet (x2) Apple, Meta (x2), Microsoft, Netflix*

## Governance

Executive compensation was the most topical governance related voting item across 2024, with a rise in the number of UK based executive packages flagged due to concerns regarding excessive pay. Determining the appropriate level of executive compensation is not an exact science, but comparing a company to its peers can be a useful guide. A growing trend is companies trying to bridge the gap between executive compensation in the US and the UK, with the former typically offering much larger overall packages. When engaging with companies on this topic, similar concerns were noted across industries: the need for competitive executive packages to attract and retain top talent. However, we appreciate companies that balance competitiveness with adherence to local market standards.

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

We voted against the re-election of directors owing to executive compensation concerns, the presence of multi class voting structures and lack of board diversity. Notably, we voted against the re-election of the chair at the AGMs held by Shell, Chevron, Exxon and ConocoPhillips as we had concerns either over the weakening of climate transition targets or lack thereof.

*Companies voted on: Alphabet (x5), BMW, Berkshire Hathaway (x5), Chevron, ConocoPhillips, Dolby Laboratories (x5), Exxon Mobil, Haydale Graphene Industries, Hermes (x3), LVMH Moet Hennessy Louis Vuitton (x3), Meta Platforms (x5) Monks Investment Trust, NIKE, Novo Nordisk (x2), Pearson, Pernod Ricard, Pershing Square, Prosus, Seeing Machines, Shearwater, Shell Plc (x2), Siemens Healthineers (x8), T-Mobile US (x8), Coca-Cola, PRS REIT, Walt Disney, Worldwide Healthcare Trust (x2)*

**40x votes against management on compensated related** (management item)

We voted against remuneration reports, polices and financial statements where the short and long-term incentive performance metrics lacked transparency and were not sufficiently robust. Additionally, where inflight payments were awarded, in the absence of a compelling rationale, we consider opaqueness to be disadvantageous to shareholders. We also voted against remuneration reports, in instances where the company had failed to address shareholder compensation related concerns.

*Companies voted on: Amazon.com, American International Group, Dollar General, EssilorLuxottica (x3), Euronext, Frontier IP, Glanbia, Hermes (x5), KION, Kering, LVMH (x6), Meta, Ocado (x2), Palo Alto, Pearson, Pernod Ricard, Prosus (x2), Prosus, Salesforce, Seeing Machines, Smith & Nephew (x2), Tesla (x2), Boeing, Walt Disney, adidas, boohoo*

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

**5x votes in favour of an independent board chair** (shareholder proposal)

In the US, unlike the UK, it's common for the CEO and chair roles to be combined. We are concerned about companies' performance and compensation practices lagging behind peers. We believe separating these roles would benefit shareholders by establishing independent oversight. We support the request for an independent board chair if there is no lead independent director, or if significant concerns have been raised and the lead independent director is not ensuring effective board oversight.

*Companies voted on: American International Group, Bank of America, Goldman Sachs, Verizon, Walgreens Boots Alliance*

# Voting statistics

In 2024 we voted at:

**503**
**COMPANY MEETINGS**

Over the year we voted on:

**7,672**
**RESOLUTIONS**

for X

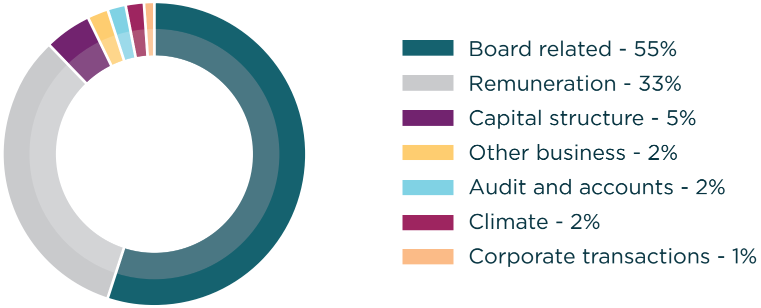
**206**
resolutions we voted against management

We enabled clients to instruct votes at
**55**
meetings

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

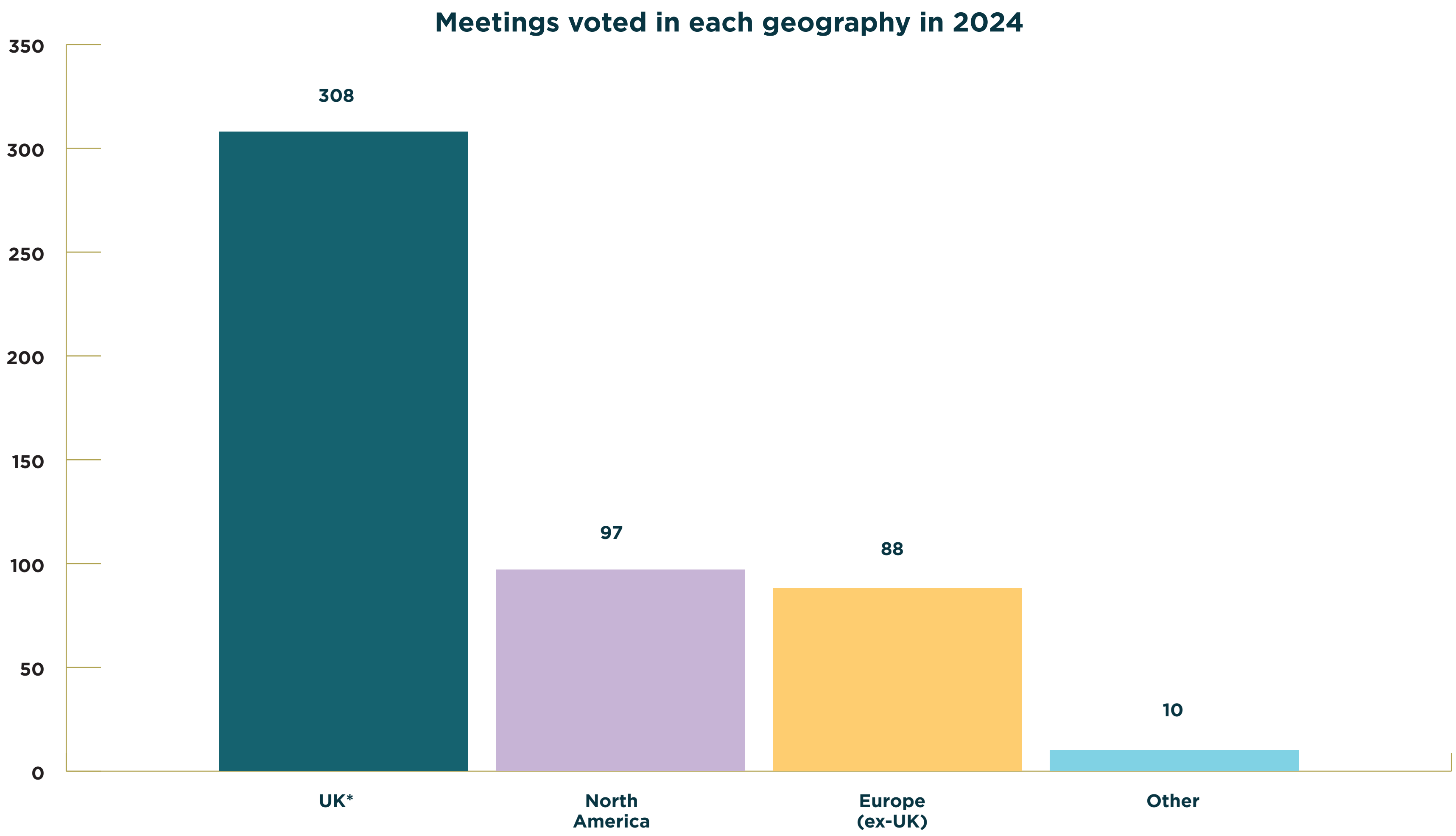
## Management resolutions voted in 2024
(excluding shareholder proposals)


## Votes against management in 2024
(excluding shareholder proposals)




## Meetings with votes against management in 2024
(including shareholder proposals)


## Shareholder proposals supported in 2024




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

# Responsible investment at Quilter Cheviot

## Active ownership and ESG integration - for 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.**

### 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 to ensure more emphasis is placed on ESG risks beyond the firmwide 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 Climate Assets 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.

* For UK, North American and European equity holdings.

** Climate Assets Balanced Fund and Climate Assets Growth Fund.

# RI Reels

# In the spotlight - RI Reels

Host Kirsty Ward provides insights into Quilter Cheviot's approach to responsible investment, as well as topical issues.

**Kirsty Ward**
**Responsible Investment Analyst**

### Cyber security

Kirsty Ward is joined by Nicholas Omale to discuss his latest thematic engagement piece on cyber security.

Watch vlog

**Watch time:** 3 minutes

### Alternative Investment Trusts

Ramón Secades joins Kirsty Ward to discuss his second thematic engagement piece on alternative investment trusts.

Watch vlog

**Watch time:** 3 minutes

### Pulling the thread

In our February reel, Kirsty Ward is joined by Greg Kearney to discuss labour standards in the apparel industry.

Watch vlog

**Watch time:** 5 minutes

### Consumer goods and the apparel sector

Kirsty Ward is joined by Research Equity Analyst, Mamta Valechha to discuss the behavioural patterns in the luxury goods space.

Watch vlog

**Watch time:** 5 minutes

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