Considering sustainability risks and factors at Quilter Cheviot

Sustainability risks are an environmental, social or governance event or condition that, if occur, could cause an actual or a potential material negative impact on the value of the investment. As part of our responsible investment approach, we consider sustainability risks and factors when assessing investments. We refer to this as ESG (environmental, social and governance) factor integration and this is an ongoing process across all asset classes we invest in.

This applies to centrally monitored holdings only. Your Investment Manager has the flexibility, within a controlled framework, to tailor your portfolio with regard to asset allocation and security selection, in order to accommodate your investment requirements.

We invest directly as well as indirectly through funds. Here we have outlined our approach to considering ESG related risks and factors within our investment process.

To identify and prioritise ESG factors within our direct equity holdings, we use a number of data sources. We have created proprietary industry group dashboards to incorporate material ESG factors based on the Sustainability Accounting Standards Board (SASB) framework plus additional factors which are identified in conjunction with the relevant analyst which are determined to be relevant to the sector. This will then inform:

- which of the three responsible investment categories the holding sits within;
- engagement priorities to understand specific ESG issues at a company level; and
- engagements within our three thematic priorities of climate change, human rights and natural capital.

For indirect holdings, i.e. holdings in third-party funds the focus is on:

- ongoing assessments of the manager's approach to ESG integration and active ownership (their approach to voting and engagement);
- quantitative ESG analysis on underlying fund holdings to identify risks and opportunities, and engagement on specific holdings where appropriate;
- evaluation of the firm's net zero and climate transition planning; and
- how the firm approaches responsible investment across its business.

A significant part of our bond exposure is through third-party funds, therefore the fund research approach of understanding the underlying manager's ESG process applies. ESG analysis for credit issuers is on a similar basis to equities. The growth of green bond issuance, and newer areas like bonds linked to the UN Sustainable Development Goals, and transition bonds, adds a new dimension which we would expect third-party managers to evaluate appropriately. Sovereign bond analysis can be limited for developed markets but could increasingly incorporate climate risk in the future.

Our responsible investment framework

There are four key areas that this focuses on, in addition to our firm-wide process:

Read more: ESG Considerations
https://www.quiltercheviot.com/our-services/responsible-investment/esg-integration/

- **Climate Assets Funds**
https://www.quiltercheviot.com/our-services/climate-assets-funds/

- **Positive Change strategy**
https://www.quiltercheviot.com/our-services/positive-change-strategy/

- **DPS Applied**
https://www.quiltercheviot.com/our-services/dps-applied/

- **Ethical and values-oriented investing**
https://www.quiltercheviot.com/working-with-you/specialist-expertise/ethical-and-values-oriented-investing/

For more detailed information on our responsible investment framework
https://www.quiltercheviot.com/our-services/responsible-investment/

QUILTER CHEVIOT

SPECIALISTS IN INVESTMENT MANAGEMENT