Our responsible investment principles and purpose

Responsible heritage – why invest responsibly?

With a heritage dating back to 1771, we understand the importance of taking a long-term view and investing for future generations. As a responsible investor, Quilter Cheviot is committed to its role as a steward of clients' assets to protect and enhance long-term returns. This encompasses our engagement and consideration of environmental, social and governance (ESG) factors as well as proxy voting for the investments we manage on behalf of our clients.

We believe incorporating ESG considerations into our investment analysis and stewardships is important for the following reasons:

- **A more holistic approach:** Integrating ESG information into the investment process can help mitigate risks and identify opportunities. Our primary focus is on risk mitigation as part of our responsibility to our clients.
- **The double bottom line:** In addition to potentially enhancing long-term returns, we believe taking these factors into account will benefit other stakeholders, creating environmental and societal value, not just economic gains.
- **Policy drivers:** There are multiple regulatory developments progressing the case for implementing responsible investment and requiring immediate action.
- **Supporting client demand:** Public awareness of ESG issues and client demand for responsible investment solutions are growing. We implement a firm-level responsible investment process and offer a more targeted approach for clients that want their portfolios to reflect their specific interests or preferences.

To help our clients articulate their responsible investment requirements we have identified three categories which reflect responsible investment preferences and have aligned strategies to these.

ESG drivers are integrated into management remuneration in the following ways:

- For senior executives, this forms part of the long-term incentive plan (LTIP), as 10% of the scorecard is based on ESG measures. 7.5% is weighted on responsible investing, based on the UN-backed Principles for Responsible Investment (PRI) Framework, the world's leading independent benchmark for responsible investing. The remaining 2.5% of the award is based on reducing the carbon intensity of Quilter's own operations.
- The Company's short-term incentive plans include explicit customer outcome measures. In addition, our incentive schemes and outcomes are underpinned by the Company's corporate values, with common goals set for managers and employees to support an inclusive and diverse culture. As part of broader responsible leadership criteria, scheme outcomes also reflect progress in increasing diverse representation in senior and front-office roles, as well as cultural measures such as colleague engagement.

Our beliefs

- Responsible investment is an umbrella term for different investment approaches. Our role is to enable clients to pick the right approach for them, within the appropriate risk profile.
- There is no such thing as an ESG fund or an ESG company. All will take different approaches and therefore cannot be directly compared.
- As a responsible investor, the main pillars of our approach are:
  - to analyse ESG data to better inform investment decisions, and
  - to proactively engage with the companies and funds we hold on behalf of our clients (active ownership).
- In our role as a steward of our clients' assets, we aim to protect and enhance long-term returns through our approach to responsible investment.

There are two approaches to being a responsible investor:

1. Risk mitigation and identifying opportunities: the integration of ESG factors and stewardship within the investment process;
2. Specific RI related objectives: this builds on the first element and relates to linking products or strategies to specific RI related outcomes or objectives.

Definitions

ESG factors

ESG factors are the starting point for understanding how the responsible investment process works in practice. ESG issues are data points that can be used as an additional input into the investment analysis process.

We recognise that in some circumstances ESG factors may impact an investment's financial performance. Therefore understanding how our investments manage ESG risks and opportunities is integral to our process. Our approach will vary depending on whether this is a direct or indirect investment, the latter being through third-party funds. We outline our approaches further on in this policy.

ESG issues may be broad and varied, but examples might include:

Environmental

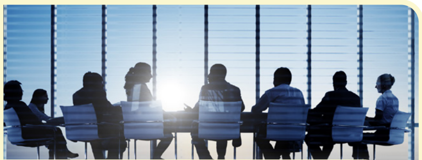
The impact on the natural world

- Climate change
- Biodiversity loss
- Resource scarcity
- Waste and pollution

Social

The wellbeing and rights of people and communities

- Human rights
- Modern slavery
- Working conditions
- Employee relations



Governance

The standards for running a company

- Bribery & corruption
- Executive pay (remuneration)
- Board diversity & structure
- Political lobbying & donations

These are examples of a range of issues that may be useful to look at. Materiality is critical and our focus is on issues that are significant for the investment, be it at an industry group or asset class level.

Our thematic priorities

Our thematic priorities are shown below. There are key megatrends that we believe are material to longer-term sustainable investment returns for our clients and have the potential to have a significant impact on other stakeholders and the planet as a whole. As such, these inform the ESG integration and stewardship work undertaken by Quilter Cheviot.

Climate change – 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. (Source: United Nations).

Through our stewardship process we commit to engage with companies and funds to understand their decarbonisation plans with the aim to encourage alignment with net zero pathways and disclosure against globally recognised standards (such as the Science Based Targets Initiative).

UN Sustainable Development Goal (UN SDG) alignment

Human rights – 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. (Source: United Nations).

Through our stewardship process we commit to engage with companies and funds to better understand or improve performance on issues such as decent work and pay, human rights in the supply chain, and health and safety as well as inclusion and diversity.

UN SDG alignment

Natural capital – natural capital can be defined as the stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils and minerals) that combine to yield a flow of benefits and ecosystem services to society. (Source: Task Force on Nature-related Financial Disclosures).

Through our stewardship process we commit to engage with companies operating, and funds investing in, high impact sectors to better understand how they are managing and mitigating risks related to deforestation, water usage and biodiversity.

We commit to engage to improve company and fund performance where they are not meeting the standards expected by us.

UN SDG alignment