RESPONSIBLE INVESTMENT QUARTERLY

QUARTER 3, 2022

QUILTER CHEVIOT

INVESTMENT MANAGEMENT

CONTENTS

WELCOME

The third quarter is always relatively quiet – at least from a voting perspective – and this has provided the opportunity to start work on thematic engagements focused on diversity, water and the life cycle of renewable energy assets. At the same time, working alongside Quilter Investors, we are engaging with investment trust boards to improve the responsible investment related disclosure they provide to shareholders. More details of this can be found within the engagement activity section.

We are proud to note that, as part of Quilter, we retained signatory status of the UK Stewardship Code. This code sets a high bar for what's expected from firms managing assets on behalf of UK consumers. Our active ownership and approach to stewardship is an important component of our overall responsible investment approach across Quilter. We are delighted to retain our signatory status and will use the feedback from the Financial Reporting Council to continue to enhance our reporting and disclosure of our stewardship activity.

We launched our RI Reels vlog, which features Kirsty Ward discussing a new topic every few weeks, so far this has included an introduction to the team and a review of the AGM season. Next up is a discussion with our Chief Investment Officer on our clients' responsible investment preferences.

Finally, for those charities invested in our Global Income and Growth Fund for Charities we produced our first annual responsible investment report.

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VOTING ACTIVITY

Over the third quarter we voted at:

87 COMPANY MEETINGS

Over the quarter we voted on:

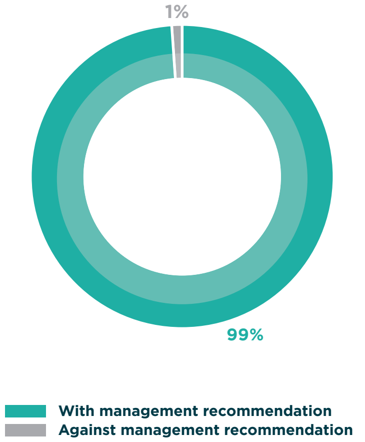
1,245 RESOLUTIONS

for **13** resolutions we voted against/did not support management

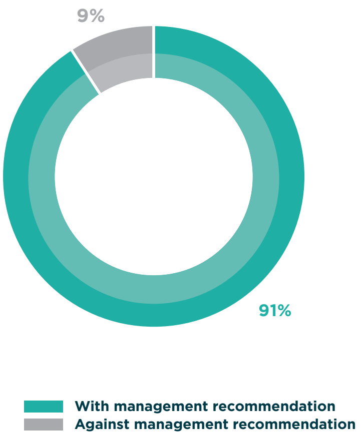
We enabled clients to instruct votes at 38 meetings

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

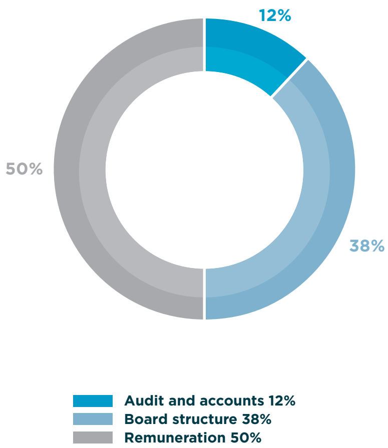
MANAGEMENT RESOLUTIONS VOTED IN Q3 2022



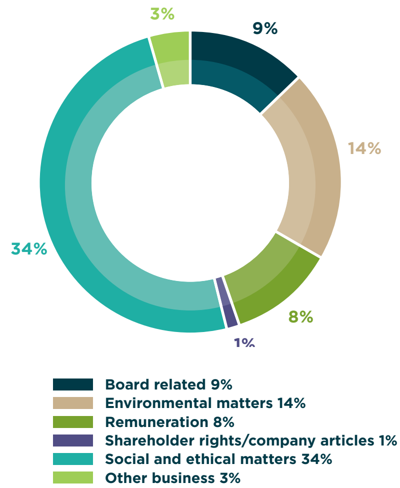
MEETINGS WITH VOTES AGAINST MANAGEMENT IN Q3 2022



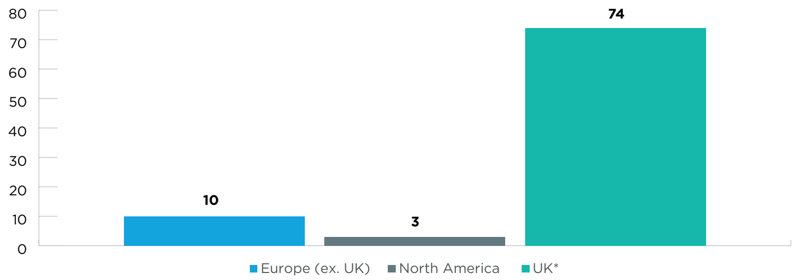
TOPICS WHERE WE HAVE VOTED AGAINST MANAGEMENT IN Q3 2022



SHAREHOLDER PROPOSALS SUPPORTED IN Q3 2022



MEETINGS VOTED IN EACH GEOGRAPHY IN Q3 2022



* Includes the Crown Dependencies of Jersey and Guernsey

Q3 2022 VOTING

This quarter we voted on UK, US and European holdings. These are the key voting issues during the period.

In a number of cases, where we voted against compensation-related issues we also voted against directors being re-elected.

3x electing/re-electing directors
We voted against the election of directors given independence concerns where former employees hold non-executive positions and where the board had failed to address tenure issues.
Companies voted on: Jet2, Ryanair (x2)

5x votes against management on compensation related resolutions
We voted against remuneration reports and policies where the short and long-term incentive performance metrics were not sufficiently robust with a suitable emphasis on shares rather than cash. We also voted against management where ex gratia payments were made during the year under review and notice periods for exiting staff were not in line with best practice.
Companies voted on: Marks & Spencer, NIKE, Prosus (x2), Young & Co.'s Brewery

4x votes supporting management in approving climate related disclosures and plans
We have supported climate disclosures where the company can demonstrate ongoing commitments to advisory votes, its 'net zero' commitment, progress and associated targets. Additionally, where a company's disclosure adheres to TCFD standards.
Companies voted on: National Grid, Pennon Group, SSE, United Utilities

There were numerous shareholder resolutions across various topics over the quarter that were assessed on a company specific basis.

We voted in favour of the following shareholder resolutions:

1x vote in favour of adopting simple majority vote
The elimination of the supermajority vote requirement, where legally permissible, would enhance shareholder rights.
Company voted on: Linde

At the Tesla meeting there were several shareholder resolutions, and we supported the following, and therefore voted against management:

1x vote in favour of reporting on efforts to prevent harassment and discrimination in the workplace
The company has faced recent attention for allegations of harassment and discrimination in the workplace, and increased transparency would help shareholders assess how the company is managing associated risks.

1x vote in favour of reporting on the impacts of using mandatory arbitration
We support requests for additional information on the impact the company's standard arbitration provision has on employees, as it would allow shareholders to better evaluate risks related to several recent controversies.

1x vote in favour of reporting on water risk exposure
Shareholders would benefit from increased disclosure on how the company is managing water risks.

1x vote in favour of adopting proxy access right
The adoption of proxy access would represent an improvement in shareholders rights.

We supported management and voted against the following shareholder resolutions at the Tesla AGM:

1x vote against climate change reporting as specified in the resolution
We assess these types of shareholder resolution on a company specific basis. In this instance we engaged with the company and progress has been made.

1x vote against adopting a policy on respecting rights to freedom of association and collective bargaining
The information requested can already be found in company disclosures.

We voted against the following shareholder resolution and supported management:

1x vote supporting management's current wage policy and against Living Wage Accreditation
We supported management on this item as no other large supermarket is living wage accredited, therefore the company would have to meet requirements not expected of its competitors in terms of pay commitments going forward and pay to third-party contractors.
Company voted on: J Sainsbury

ENGAGEMENT ACTIVITY

Here, we outline some examples of our engagement in the three months to the end of September 2022. In line with the Shareholder Rights Directive II (SRD II) disclosure regulations, we have included the name of the company or fund in the majority of cases. In some cases, we will not, as this would be unhelpful in the long-term to the ongoing engagement process.

We use ISS as our proxy voting service provider and based on our responsible investment principles, ISS provides recommendations on each resolution companies put forward to shareholders. We do not follow the ISS recommendations, as we believe it is important that responsible investment is integrated into our investment process, and that Quilter Cheviot makes up its own mind.

Ashtead Group

Objective: To further clarify the remuneration policy and the re-election of the chair of the remuneration committee.

Our proxy voting service provider (ISS) recommended voting against the remuneration report and the re-election of the chair of the remuneration committee. The latter recommendation is based on the view that the board's has not engaged with shareholders on concerns over the remuneration policy. We contacted the company, and we feel that the board has taken reasonable steps to engage with the company following dissent and address shareholder concerns. As an example, it engaged with over 50% of its shareholder register following the vote against.

Outcome: As there are no significant concerns regarding the remuneration package, we will be supporting management on both items.

Aspect Diversified Trends Fund

Objective: To discuss ratification of auditors and change in accounting standards.

Our proxy advisor recommended voting against the ratification of new auditors and the approval of a change in accounting standards owing to a lack of company explanation to justify the changes. We contacted the company for further information. A change in auditor is considered in line with best practice as the previous auditor had been used for several years. Management also considers the change of accounting standards (to US GAAP) to be better aligned with investors and common among the peer group.

Outcome: We are comfortable with the rationale provided and voting to support management on all items.

BB Healthcare

Objective: To promote better disclosure of fund holdings.

We have engaged with the board of the trust on numerous occasions to provide full disclosure of the underlying fund holdings. Previous reasons for non-disclosure include fears that other investors may replicate the strategy. Given the lag in reporting and nature of the fund we do not see this as a material issue.

Outcome: The trust has disclosed the full holdings information for the first time in the half-year report as a result of our engagement process.

Electronic Arts

Objective: To discuss a shareholder resolution proposing that any severance or termination payments over a certain quantum would require shareholder approval.

We spoke with the company to understand Electronic Arts' concerns. Overall, the board considers the proposal too prescriptive and impractical as it would implement a shareholder approval process on severance pay packages. The current double trigger policy provides those ranked as senior vice presidents and above with payments and benefits if their employment is terminated without "cause" or if they resign for "good reason" during the three-month period preceding or 18-month period following a change in control of the company. Electronic Arts explained that this is common amongst its competitors, and it considers it a necessity to ensure it can hire and retain the best talent.

It was highlighted that the board has been responsive to previous shareholder concerns regarding say on pay issues, recently reducing overall executive pay significantly and changing the long-term incentive plan.

Outcome: We supported management given that this is the norm within its industry peer group.

Frontier IP

Objective: To discuss concerns around share issuance and option awards.

Our proxy advisor raised concerns over the issuance of shares and awarding of share options at the company. We engaged with the CEO who outlined the company's specific staffing model and needs. It often recruits PhD graduates on lower base salaries with a higher balance towards the granting of share options. The share issuance and option awarding strategy is central to staffing processes.

Outcome: Based on our conversation, we are comfortable with the company rationale and voted to support management.

Halma

Objective: To discuss concerns related to appropriate shareholder outreach following the significant shareholder dissent lodged against the 2021 remuneration policy.

Our proxy advisor recommended voting against the remuneration report and the re-election of the remuneration committee chair at the 2022 AGM. The company's remuneration policy received significant dissent at the 2021 AGM (c.39% against) in light of concerns around the significant increases to both fixed and variable pay. We contacted the company to provide further information, and we believe reasonable efforts have been made to engage with major shareholders since the 2021 AGM. The company ran two shareholder consultation processes, writing to the largest shareholders (representing circa 25%-30% of shareholder capital).

Outcome: On the basis of our conversation, we are comfortable with the company's response and voted to support management on all items.

Hipgnosis Songs Fund

Objective: We contributed to the shareholder consultation on a new remuneration policy proposal. This was a high-level discussion, focusing on the board structure, along with the specialist requirements and activities of its members. The role of the board is more operational than is usual for traditional investment trusts and the time committed by directors is greater. Owing to the lack of comparable peers, the trust uses remuneration benchmarks that are more heavily weighted towards operational companies. There is no plan in place to expand the board in the near future, but any hiring would include gender and ethnic diversity considerations.

Outcome: The meeting was useful to understand the board's rationale on remuneration and the time commitment required of the board. It is a specialist sector and a tailor-made approach for the remuneration structure is appropriate and we are comfortable with the approach.

Intermediate Capital Group

Objective: We held a catch-up meeting with the interim chair. We covered topics which included diversity strategies, succession planning and the company's net zero commitments.

Our discussion covered a range of topics as this was very much a check-in conversation with no material concerns to raise. Succession planning is underway, with the current chair's position an interim one. The board have a shortlist of candidates and aims to make an appointment by the end of the year. An interesting development at a board level has been the appointment of the Chief People and External Affairs Officer as an executive member of the board. The appointment was made to help focus the board's efforts on talent retention, recruitment and diversity – a skill set it needed. A specialist executive member focus on these topics is not common but good to see. The company has also confirmed its net zero strategy, aiming to reach that target by 2040 and have SBT aligned commitments in place. The funds tend to have relatively low GHG emissions, as they do not have large allocations to energy and mining, which are not seen as their traditional areas of expertise. All funds also exclude companies with significant coal, oil and gas activities. Given the nature of the asset class, engagement is a focus of the responsible investment process. Some investments have limited capacity for engagement, particularly secondaries, where they do not typically hold a board seat.

Outcome: This was a useful catch-up conversation. Chair succession planning is underway and verifiable net zero commitments have been made. We welcome the latest executive appointment to the board and will be interested to see if the additional focus on talent, retention, and diversity a measurable impact has moving forwards.

Jet2

Objective: To discuss concerns around board independence and remuneration

The current remuneration policy allows options granted under the Share Reward Plan to be paid out subject solely to continued employment. We engaged with the company and the chair of the remuneration committee confirmed that a new policy, which will include performance conditions, will be presented at the next AGM. The current position relates to awards that were made during Covid-19 as it was felt that it would be difficult to incorporate meaningful performance metrics.

One of the NEDs, who is regarded as non-independent owing to his length of tenure on the board, sits on the remuneration committee. Additionally, there is insufficient independent representation on the board, which has also hired executive search firm Korn Ferry to appoint two new independent members ahead of the next AGM. However, there is no discernible plan to replace the non-independent NED and therefore as this against UK best practice recommendations for a company of this size. We voted against his re-election.

Outcome: The next 2023 AGM will be critical in determining whether we support management on the new remuneration policy as well as changes to the board. In the case of the latter, if the percentage of women on the board still does not meet expectations, we will vote against the chair.

JD Sports Fashion

Objective: To discuss concerns around executive remuneration.

The company proposed significant increases to the CFO's salary and continues to weight a large proportion of variable remuneration towards cash rather than share options. We spoke to the company to highlight these concerns. Since the dismissal of the CEO and chair, in the wake of controversies related to alleged price fixing, there has been a lot of change at the company, including a complete refresh of the non-executive board. The current remuneration structure pre-dates the new board, who has committed to putting forward a new remuneration policy at the next AGM. This will include a significant reduction of cash pay-outs (as well as other best practice measures). The management rationale behind the CFO salary increase was to secure the position in the wake of significant disruption. The CFO salary had been behind the market for some time and the new board believes his position is essential to supporting the challenging transition period for the company.

Outcome: On the basis of our conversation, we voted to support the remuneration report. Given assurances of a policy restructure and that the CFO's salary increase is in line with peers, we are comfortable with the rationale given, but will monitor progress.

JOHCM UK Dynamic

Objective: To hear an update on the team's work regarding integrating ESG factors into its process and engagement.

The team has undertaken significant work over the last couple of years to integrate ESG factors within the investment process, and sustainability considerations are an increasing driver of the investment decision making and engagements with companies. We discussed developments including the new central database that incorporates third-party data and records engagement notes. We also discussed whether the oil & gas holdings and investment bank holdings fit with how they are positioning their investment approach going forward. We were satisfied that this is a steady work in progress and that the team seems to be driven by credible long-term intentions. We will continue to monitor how the approach evolves.

Outcome: Work continues to roll out the ESG integration process to all portfolio holdings. We will follow up at our next meeting.

Linde

Objective: To discuss a shareholder proposal on eliminating supermajority vote requirements.

We engaged with the company to discuss a shareholder proposal calling for the repeal of the company's supermajority vote provisions at the 2022 AGM. This would only apply to proposals where supermajority voting is not required by law. The application of any non-supermajority issue is relatively narrow, and we believe where it is applied, it enhances minority shareholders' voices.

Outcome: The elimination of the supermajority threshold, where legally permissible, is considered a positive step for the company and we voted to support the shareholder resolution.

Nike

Objective: To discuss concerns around remuneration ahead of the upcoming AGM

Our proxy voting service provider flagged concerns around the adjustment that had been made to the executives' annual bonus performance, which resulted in a higher pay out, as well as the share / cash balance within the long-term incentive. The latter is geared towards cash and the vesting is not linked to performance metrics. Nike has said it will increase the share allocation to 50%, however the timeline is not clear. Upon engagement, Nike explained that the adjustments to the annual bonus were made owing the re-emergence of Covid-19, which continued to have a material impact on operations and performance, it would have set

fewer challenging targets; hence it had applied a discretionary uplift. Further details regarding the transition plan of performance share units (PSU) will be provided in next year's proxy.
Outcome: Overall, the changes to the compensation plan seem to lack clarity, and the PSUs are based on a time-vested basis, which is not considered best practice. We would also welcome further clarity regarding the timeline of PSUs. Therefore, we voted against management.

Prosus
Objective: To engage with the company on remuneration ahead of the upcoming AGM
Our proxy voting service provider recommended voting against both the remuneration report and policy as it had identified several concerns. Namely:
1) the quantum of the award
2) the high proportion of non-performance related elements within the long-term incentive
3) the ability to make discretionary adjustments to the short-term award
We contacted the company to understand its position. From Prosus' perspective it highlighted that both executive salaries and non-executive fees were not being increased. It operates in a competitive industry (technology platforms) and the overall package must reflect that to retain staff. The company felt it had engaged well with investors to explain how the company strategy links to the remuneration policy, and, as part of that process, it had increased the weighting to ESG-related targets from 5% to 31% within the short-term award this year. From 2023, it will disclose the specific targets retrospectively. On a separate note, ISS flagged concerns with the company's share buyback programme, however, we believe this will assist with the discount management and therefore supported management.
Outcome: While we appreciate the competitive nature of the environment in which Prosus operates, we felt the overall quantum of remuneration was unjustifiably excessive and voted against the report and the policy.

Redwheel Global Equity Income
Objective: To understand the Redwheel team's approach to ESG integration and engagement and emphasise the importance of us seeing continued improvement.
This is a fund that has been added to coverage recently, and this is an ongoing dialogue with the Global Equity Income team regarding the integration of ESG factors into their process. The team joined Redwheel/RWC in 2020 from Newton (BNY Mellon). Prior, their ESG analysis was conducted through a central team at Newton, whereas at Redwheel, the investment team is fully responsible for the analysis and integration of ESG factors. ESG integration is on a pathway of improvement both for Redwheel Partners and the Global Equity team. Redwheel is investing in its ESG resource, both expertise and data, and is now a UK Stewardship Code signatory.
Outcome: While still building out their approach, we feel the team are taking the right steps to put a suitable ESG framework in place. We will follow up at our next meeting.

Sainsbury's
Objective: To raise concerns around a living wage provision to third party contractors.
A shareholder resolution at the 2022 AGM called for the company to apply for living wage accreditation, including a commitment to ensure third party contractors received the living wage. Sainsbury's currently pays the living wage to all direct employees and was one of the first companies to do so. It estimates that around 60% of contactor staff are paid this rate. It is opposed to apply for accreditation as it would be required to meet specific pay benchmarks set by an external party. As staff wages are the company's largest cost, it does not want to lose control of this decision. We spoke to the CEO and chair of the board and are comfortable with the commitments to pay direct staff the living wage as well as track and increase the proportion of contractors paid at this level. Third party contractors make up a small minority of the employee base.
Outcome: We voted to support management on this item but have communicated our expectation that the proportion of contractors being paid minimum wage will increase. We will monitor the situation.

Tesla
Objective: We engaged with Tesla to discuss several shareholder resolutions proposed at the 2022 AGM. We also raised concerns related to the re-election of two directors and followed-up on items raised during our last conversation in 2021, including carbon emissions disclosures.
The shareholder resolutions covered multiple topics including share pledging, diversity & inclusion disclosure and mandatory arbitration, particularly in relation to sexual harassment. On the subject of share pledging – a practice where stock is pledged as collateral for person loans – Elon Musk does not take a salary and, according to the company, does

not expect any further compensation from Tesla, but uses this practice to raise cash without selling shares. The company has a share pledging policy in place that limits the total loan value to 25% of shares pledged. We recommended creating an additional policy safeguard of limiting the total percentage of individual shares pledged to 40-50% to allay concerns. Our proxy advisor also recommended voting against both directors up for re-election over concerns around share pledging practices. Given the company's equity dominated remuneration structure and the restrictions currently in place, we will be supporting management in this instance but will monitor progress. Given high profile lawsuits against the company we strongly encouraged further transparency on diversity & inclusion and voted to support the resolution. We also supported further reporting on the use of mandatory arbitration (the practice of being contractually obliged to resolve disputes internally in the first instance). The state of California is bringing in legislation to prevent mandatory arbitration in the case of sexual assault. We suggested a wider review and potential move away from the practice more broadly.

Outcome: We have supported measures for further transparency on mandatory arbitration practices as well as diversity & inclusion. On the basis on the company's equity dominated remuneration structure and current share pledging policies, we are comfortable supporting director re-elections – but have called for tightening restrictions and will monitor progress. We were pleased to see the company now reports scope 1, 2 and 3 CO_2e emissions data at a company level.

COLLABORATIVE ENGAGEMENT: INVESTMENT TRUSTS

Quilter Cheviot and Quilter Investors own c.£4 billion of investment trusts (as at August 2022). We believe that we can work together to improve investment trust disclosure on ESG related matters as well as stewardship. We want to understand the board is managing ESG risks and opportunities within the investment trust itself. Additionally, we are interested in board composition from both a diversity and an independence perspective.

This will be a long-term engagement for change.

Engagement topic	Detail
Board composition	On board composition, we expect it to be independent and diverse. We do not believe it is acceptable for an investment trust to have a board member that has been appointed or is employed by the investment advisor. The board function is to represent the shareholders and act in their best interest. It is our view that a board member appointed by the investment advisor is potentially an unnecessary conflict of interest risk. The investment advisor is employed by the board, and anything impedes the independence of the board is detrimental to the shareholder's interest.
Disclosures	We want to see stewardship that are pertinent to the investment trust and its holdings. At minimum, we want the trust to disclose how it has voted on its holdings (when applicable) and the rationale behind some of the most significant votes. We want to see an example of how the manager has engaged with the holdings as well as clear examples of ESG integration. It is also good practice to report on the board's role in managing these ESG risks.

Fidelity China Special Situations

Objective: This was a catch-up meeting to discuss governance of the trust with the chair, as well as disclosure of its responsible investment activity.

Main topics of discussion included succession planning, director shareholdings and stewardship disclosures. The current chair is stepping down after 12 years on the board, to be replaced by the current chair of audit committee. The chair reiterated the current stance that all directors should have shareholdings in the trust. We told the company that our expectation is for investment trusts to disclose voting records as well as more detail about the ESG integration pertinent to the trust.

Outcome: The meeting was useful to understand the current position of the trust. We are happy with the current composition of the board and the upcoming chair. We also used the meeting to communicate to the board where we think that the disclosure could be improved.

Investment Trust

We have anonymised the name of the holding as we feel that to disclose it would not be beneficial given the ongoing engagement process.

Objective: To further escalate our engagement regarding PRI signatory status and the composition of the board

Following on from our previous meeting we met the new chair to discuss PRI signatory status as well as stewardship and ESG integration disclosure. Additionally, we discussed the composition of the board. The investment adviser (manager) has a representative on the board, which is an uncommon position for UK listed investment companies. The manager is a laggard within our investment universe as most investment houses with whom we invest are signatories. We explained that we do not buy into new funds that are not signatories of PRI, unless there is a compelling rationale, and we do not think is the case in this instance. The chair noted that the manager's responsible investment work is to a higher standard than the PRI. We challenged this as the PRI does not have a standard per se, it provides external and independent auditing of responsible investment processes. We have no concrete evidence that this is the case, given the lack of external disclosure on stewardship and ESG integration activity by the manager. We reiterated our view that, in the absence of alternatives, the PRI is the global standard that provides independent verification of responsible investment processes. We also discussed management representation on the board. We have concerns that this does not represent shareholders' interests well. The chair noted that this is not something that the board has discussed previously. When there is a conflict with the manager, the representative leaves the meeting. The board has had to deal with difficult situations in the past and this has not stopped the board from having the hard conversations with the manager. He will raise this issue at the next board meeting. More generally, it has a plan to refresh the board and there will be new additions to the board this year. The board aims to have no more "cliffs", rather, every two years, there will be a director retiring in a smooth fashion.

Outcome: We will continue to push the manager to become a PRI signatory. Additionally, we have provided the company with examples of best practice of stewardship and ESG integration disclosure.

JP Morgan America (JAM)

Objective: The purpose of this meeting was to understand the due diligence process of recruiting the new co-fund manager, as well as discuss the board's oversight of stewardship activities, ESG integration as well as the disclosure of them and succession planning for the board.

The chair acknowledged that the integration of ESG factors as well as disclosure is an iterative process, and the board welcomes shareholder feedback, which will enrich its conversations with JP Morgan. We discussed various approaches, including excluding specific activities from an investment universe. On succession planning for the board, the longest-standing non-executive director (NED) is leaving at the next AGM and the current chair will be leaving within the next couple of years. Therefore, consideration is being given to this within the recruitment process. Additionally, the board is debating an appropriate size for this group and is considering going back to a six-director model, which could give it more flexibility on succession.

Another area of further interest for us, is how investment trusts are seeking to attract the next generation of investors. The board is aware of the small number of individual retail shareholders within its share register, and actively looking to increase it. The board is also aware of the balance between looking for new interest within the retail market and the costs associated with marketing. Additionally, the board is working to increase the public visibility of the fund managers, as that will also help improve awareness of the investment trust across retail shareholders.

Outcome: We will follow up regarding the appointment of new co-manager with the investment manager in the upcoming meeting. Additionally, we have provided the company with examples of best practice stewardship disclosure and ESG integration. We will monitor the progress of improved disclosure.

Pershing Square

Objective: To discuss stewardship and ESG related disclosure as well as composition of the board.

We met with the chair for the first time to formally discuss the manager's approach to responsible investment. The manager is based in the US, where the investment industry is facing several issues around how it approaches responsible investment. Over time, it will become clearer which of these issues are more pressing and which are more tenuous. The board includes a representative of the manager, and we discussed the pros and cons of having a non-independent board member.

Outcome: Continue to monitor the trajectory of the responsible investment related disclosure as well as alignment to the UN backed Principles for Responsible Investment.

Smithson Investment Trust

Objective: The purpose of this engagement was to meet the new chair and outline our expectations for ESG and stewardship disclosure, as well as to discuss fees and the growth of the fund.

ESG related and stewardship disclosure: The trust has examples of how it identifies governance concerns, however the disclosure on how it integrates social and environmental aspects is lacking, as is detail on its voting record and engagement activity. The chair promised to take this feedback into consideration; this will be discussed with the board.

Share buyback policy: The chair explained that due to the market falls at beginning of the Covid-19 pandemic, the board consulted with its broker on share buybacks. It was advised to wait and see how the market would react, which it did, even though preparations had been made to make the purchases. The investment trust buys back regularly. In the past, the investment adviser (manager) has been keen to use an alternative to the house broker; however, the board has agreed with the manager that the house broker will be used for transactions.

Fees: The fund has grown very rapidly, while the fee has not reduced, meaning the manager is benefitting from this increase in scale, and, conversely, shareholders are not. The chair's view is that the manager carried the cost of the initial public offering and has invested heavily in the fund. The manager has a firm stance on fees, and therefore the chair does not think it would be receptive to a conversation about lowering these costs. The board, however, is mindful of the costs and has made some progress in lowering the fees of the broker substantially, even though it acknowledges that 95% of the cost of running the fund is related to the manager. From our perspective, the role of the board is to protect the interests of its shareholders. A clear example of these is on fees, where we expect the board to exert influence over the manager.

Holdings' disclosure: This is currently on a six-monthly basis; moving to quarterly would be a positive step as most investment trusts disclose their positions monthly. It was agreed that the chair would progress this.

Outcome: There are several areas that we will monitor and follow up on in future engagements including fees and disclosure on holdings as well as anything ESG and stewardship related.

THEMATIC ENGAGEMENT - LIFECYCLE OF RENEWABLE ENERGY INFRASTRUCTURE ASSETS ENGAGEMENT

Renewable energy infrastructure is often perceived to be automatically sustainable, given its contribution to net zero ambitions, but there are – as always – many factors to consider. An important one is the end-of-life plan for these assets. In addition, the sourcing of infrastructure assets or raw materials is also important, ensuring thought is given to ethical and sustainability considerations early in the lifecycle too. The engagement will be driven by the team that manages the Climate Assets strategy in collaboration with the Responsible Investment team and the relevant research analyst. .

Vestas

Objective: We view Vestas as a potential benchmark against which we can frame other companies and investment trusts. There are several important considerations across the lifecycle of renewable energy infrastructure assets from a sustainability perspective, however, we specifically focused this engagement on supply chain management and the treatment of assets at the end of their useful life.

Vestas achieves sustainable supply chains by i) performing due diligence on all its suppliers and ii) specifically engaging with c.50 identified strategic suppliers to ensure an alignment of commitments. On waste, Vestas is committed to a 50% reduction by 2030 and the company will work with its strategic suppliers to ensure there is an alignment of commitment. It will track the progress of this quarterly.

Vestas works closely with suppliers and has an influence on the supply chains. Vestas has asked suppliers commit to reducing scope 3 emissions; for those that have not, Vestas is seeking alternative suppliers where there is better alignment. This has a direct impact on employee remuneration as one third of the employee bonus structure is related to emissions avoided.

There are currently three solutions for achieving blade recycling: mechanical shredding, cement co-processing and degasification. These solutions are the most mature but are not widely available or cost effective. As a result, the company is working through various research groups and initiatives to make projects more cost effective and increase the scale of recycling.

Outcome: Our engagement for information will become our benchmark for future engagements with other companies and renewable infrastructure investment trusts. From the discussion on supply chains, we learned that Vestas are following global best practice and are actively engaging with strategic suppliers to reduce waste and GHG emissions. On the topic of turbines at the end of their useful life, the company is actively involved in the redesign of wind turbines to improve recyclability and industry research groups to further recycling technology. While it is not an asset owner, and thus does not have responsibility itself for turbine recycling, it is significantly contributing to efforts in this important area. There is clear and transparent reporting on progress with these initiatives within the company's sustainability reports. It undertakes ongoing dialogue with policymakers on establishing EU-wide frameworks and Vestas has created a circular strategy which sets out its ambition with respect to turbines across their useful life. The level of detail provided was sufficient and we are pleased with the outcome of the engagement. Future dialogue with the company is planned.

THEMATIC ENGAGEMENT - GENDER DIVERSITY

We have identified companies that have not met the 2021 FTSE Women Leaders Review (formerly Hampton-Alexander) target of 33% female board representation. We are keen to understand how companies are planning to meet enhanced recommendations by the FCA and FTSE Women Leaders Review to increase female representation on boards to 40%. We have also included several companies in continental Europe that fail to meet this target. We are engaging with companies to better understand gender diversity plans and how they are addressing the gap.

Kion Group

Objective: To raise concerns around gender diversity both at a board level and more broadly to encourage progress towards best practice standards.

Kion Group is domiciled in Germany and is therefore subject to both German-specific and European regulations. In 2015, Germany introduced an act requiring all supervisory boards at listed companies to comprise of a minimum of 30% men and 30% women. The European Commission has also proposed a directive with binding measures to increase director posts occupied by the under-represented gender to 40% for non-executive directors by 2026.

The current female representation on the supervisory board is 31%. The company is working towards increased female representation on the supervisory board to meet 2024 EU regulations. The company has not set a deadline to meet these targets and highlighted one drawback as the staggered director elections. Directors serve four-year terms so changes cannot be enacted quickly. The female CFO recently left the company and Kion is keen appoint another female CFO. That said, on the basis of our conversation, the company does not appear to be particularly proactive in industry, group or government-level initiatives to expand and deepen the talent pool.

The overall responsibility for diversity and inclusion sits with the CFO, which is unusual. However, it forms part of the overall board strategy. Recruitment is primarily driven by HR, who use recruitment agents where appropriate to screen the market for suitable candidates. The company highlighted the challenges in recruiting women into construction and operational roles as there is often insufficient candidates with the required technical skills and experience. The company speculated that this problem is exacerbated by the relatively low number of women studying technical degrees across Germany. Outside of manufacturing roles, there is higher female representation. There appears to be a few internal initiatives retain talent. It is not clear how focussed the company is on improving gender diversity outside of board level, which is mandated by regulation. In 2017, the supervisory board set a not very challenging target of 0% female executive board representation. This target was "met" with current representation sitting at 17%. However, the underwhelming initial target reflects the company's often lacklustre approach to gender diversity and diversity more broadly. The company target to increase female representation across second level management has not been met, meaning it is falling short of the 30% goal.

Outcome: This engagement highlighted the challenges faced in hiring more women into a traditionally male dominated industry. While some industries face specific challenges in recruiting and retaining women, we would welcome a more proactive and detailed timeline from the company in setting meaningful targets and the route to achieving them. This includes a more cohesive, visible top-down DEI strategy, as well as evidence of external engagement with stakeholders to increase the overall potential talent pool, both at executive and overall employee level. The company uses recruitment agents throughout the hiring process, however the impact it has on increasing diverse pool of candidates has not been specified and the extent to which they are encouraging the use of innovative approaches is not clear. We will continue to monitor Kion's progress following the publication of its next annual report. If board diversity is not improved over a 12-month horizon we will consider using voting rights to express our disapproval.

Renishaw

Objective: To raise concerns around gender diversity both at a board level and more broadly to encourage progress towards best practice standards.

Across the board of directors, senior management, and the wider employee base the company has low levels of gender diversity. Like industry peers, Renishaw highlighted overarching challenges associated with drawing women into the sector. The company regularly engages with schools, colleges and universities to increase awareness of STEM-related career paths. In 2021, Renishaw engaged with more than 13,000 students and more than 30% of all events were focused on underrepresented groups. Challenges arise in attracting diverse pool of applicants; however, the company states such grass roots activity has been positive in attracting talent. Additionally, through 'Priority Projects', Renishaw has taken steps to address the employee attrition rates. The company has updated how it monitors and recognises performance, as well assessing where it fits amongst its peers on overall package competitiveness. The company has hired Willis Towers Watson to remodel company job architecture and how roles are graded to ensure there is a transparent career pathway throughout the company to attract employees to grow within the firm.

The board does not have any gender-specific diversity targets in place and there are no plans to create them. This is surprising and we would like to see them brought in. Current board gender diversity stands at 25%.

Whilst the company has outreach programmes in place and employs recruitment agencies to facilitate diverse hiring goals, there is an absence of a coherent corporate approach to not only gender diversity but diversity and inclusion more broadly. System modernisation will allow the company to harness broader sets of diversity data, yet the value will lie in how the data is used, and whether that is for target setting and/or tracking developments over time. Diversity and inclusion targets are not currently embedded within executive remuneration. HR is working alongside the board to address this.

Outcome: Overall gender diversity performance remains low. We note that the company is operating in a traditionally male dominated industry, but we will monitor progress over the next 12 months and expect the company to improve gender diversity at the board level over this time horizon.

The Sage Group

Objective: To raise concerns around gender diversity both at a board level and more broadly to encourage progress towards best practice standards.

This is the first conversation with a company in the technology industry. Trends such as high resignation rates and challenges associated with attracting women into junior roles are seen across the sector. The Sage Group has a board diversity, equity and inclusion (DEI) policy and a group-wide policy through which targets and ambitions to increase gender diversity across all levels are set.

At a board level, the gender balance is currently 22% following a female NED stepping down. The board is looking to achieve the target of 40% representation and acknowledges that this will take time. It does meet the racial diversity target set by the Parker Review. The main challenge for the board has been finding female leaders at the non-executive level as there is a smaller talent pool of qualified women who have industry experience. This is further amplified when looking to hire a female candidate who is ethnically diverse.

The firmwide diversity strategy is the responsibility of the nomination committee, however diversity is often discussed at board meetings. Different business areas face varying challenges in increasing diversity across their teams. The Sage Group highlighted a number of departments facing challenges in attracting women across all levels. To address this, the company has taken steps to reduce bias throughout the hiring process and attract female graduates. The company has introduced a five-year goal, whereby no more than 60% of positions within any executive or management team will be held by the under-represented gender. More broadly, the company highlighted the importance of diversity across executive teams as having varying perspectives is paramount in effective decision making. Additionally, it is important that the teams across all levels within the company reflect the society in which we live and the customers the company serve.

Outcome: This engagement was useful in gaining an understanding of The Sage Group's approach to gender diversity and the wider diversity and inclusion focus. The company acknowledges where it falls short - especially at board level – and has provided a time horizon to meet the FCA comply or explain proposal. The company expects board diversity to improve over the next six months and the number of women in senior roles to increase across the next 18 months to 2 years. It also expects to meet the 40% board level gender diversity requirement in this time. The board is currently discussing proposals to include diversity targets as part of the ESG metrics incorporated into the executive long-term incentive play. We will continue to monitor the progress of The Sage Group and would look to engage following the 2023 annual meeting to assess progress.

UPDATE ON ONGOING COLLABORATIVE ENGAGEMENT ON MODERN SLAVERY IN THE UK

In 2021, we joined a group of UK investors lead by Rathbones through the UN backed Principles for Responsible Investment platform. The purpose was to engage companies that would have not met reporting requirements under the 2015 Modern Slavery Act. All the 44 target companies have responded and as at September 2022 there are eight companies who will be releasing new statements and three companies that are amending statements to become fully compliant.

COLLABORATIVE ENGAGEMENT WITH CDP

The latest Intergovernmental Panel on Climate Change report makes it clear that without immediate and deep emissions reductions across all sectors, limiting global warming to 1.5°C will be impossible. Science-based targets provide a roadmap for reducing emissions at the pace and scale that science tells us is necessary to avoid the most catastrophic effects of climate change.

We have joined a coalition of 274 financial institutions representing US$36.5 trillion to ask specific companies to commit to a target. Of the companies targeted, 47 are holdings within our direct equity centrally monitored list.

IN THE SPOTLIGHT

IS STANDARDISED SUSTAINABILITY DATA FINALLY ON THE HORIZON?

Ramón Secades, Responsible Investment Analyst

Source of image: iStock

There are numerous sustainability reporting frameworks globally however there is no one framework that is mandatory. Therefore, quite often it is a case of comparing apples with pears when trying to evaluate companies against one another, however, there is an opportunity for this to change.

The International Financial Reporting Standards Foundation (IFRS Foundation) is a non-profit organisation that oversees financial reporting standard-setting. Its function to date has been to create and promote financial reporting standards. However, to tackle this problem, at COP26 in 2021, it announced the creation of a new standard-setting board, the International Sustainability Standards Board (ISSB). Its purpose is to provide a baseline of sustainability-related disclosures to help investors make more informed decisions.

What is happening?

The newly formed ISSB, chaired by Emmanuel Faber, former CEO of Danone, launched a consultation on its first two standards in March 2022 with the aim of issuing two new standards by the end of the year. These newly proposed disclosure frameworks would be built onto existing TCFD and SASB standards (see below for the glossary), but also incorporate new requirements, including the requirement that sustainability data should be disclosed together with the financial information, rather than in a different report.

Almost 600[1] institutions have replied to the now closed consultation. Amongst the responders were the 'Big Four' (KPMG, EY, Deloitte and PWC) and the most valuable company in the world, Saudi Aramco, as well as many asset managers and governmental organisations. The wide range of respondents highlights the interest in these frameworks. On a recent podcast, the Vice-Chair of ISSB, Sue Lloyd, mentioned that almost 32,000 people have been involved in these consultations[2].

Whilst most of the feedback has been positive, there are different opinions on the specifics – such as the requirement to disclose scope 3 emissions, which some respondents noted as problematic given the difficulty for companies to obtain accurate data.[3] The ISSB will now have a little under four months to consider all the feedback and come up with the final shape of these standards.

Why is this important?

As previously mentioned, there is a multitude of reporting standards as well as companies disclosing sustainability data without following an external standard. This can lead to difficulty in making like-for-like comparisons.

What ISSB is offering is a well-rounded set of disclosures which builds on existing frameworks, hopefully making sustainable reporting more comparable and reducing the number of reporting standards starting by combining TCFD and SASB. This could not only help investors make better informed investment decisions, but also help companies by providing a clear way of reporting sustainability-related data.

What happens next?

Once the frameworks are published, they will become immediately available for voluntary adoption. Voluntary disclosure tends to attract the best performing companies whilst laggards tend not to be the earliest adopters.

Currently listed companies in the UK are required to disclose in line with TCFD requirements. The FCA has been very supportive of the ISSB, and it is likely that this will end up replacing TCFD.

The actual adoption and enforcement of this standard will be up to each government. We can already see a rise in interest; on 1 August 2022, in a letter by Lord Callanan[4], the UK Government reiterated their ambition to become the first country to adopt these standards. This could mean that standardised reporting is much closer than we thought.

GLOSSARY

CDP: CDP is an international non-profit organisation based in the United Kingdom, Japan, India, China, Germany and the United States of America that helps companies and cities disclose their environmental impact.

GRI: The Global Reporting Initiative is an international independent standards organization that helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights, and corruption.

IFRS: International Financial Reporting Standards, commonly called IFRS, are accounting standards issued by the IFRS Foundation and the International Accounting Standards Board.

ISSB: The International Sustainability Standards Board is a standard-setting body established in 2021-2022 under the IFRS Foundation, whose mandate is the creation and development of sustainability-related financial reporting standards to meet investors' needs for sustainability reporting.

NFRD: Non-Financial Reporting Directive – sets out the rules on disclosure of non-financial and diversity information by large companies.

SASB: The Sustainability Accounting Standards Board is a non-profit organization, founded in 2011 by Jean Rogers to develop sustainability accounting standards.

SFDR: The Sustainable Finance Disclosure Regulation is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants.

TCFD: The Task Force on Climate Related Financial Disclosures provides information to investors about what companies are doing to mitigate the risks of climate change, as well as be transparent about the way in which they are governed.

1 IFRS - Exposure Draft and comment letters: General Sustainability-related Disclosures
2 IFRS - IFRS Foundation podcasts
3 Microsoft Word - 61915_5 (ifrs.org)
4 Letter from Lord Callanan to the International Sustainability Standards Board regarding their exposure drafts IFRS S1 and IFRS S2 - GOV.UK (www.gov.uk)

CLARITY AHEAD?

Caroline Langley, Deputy Fund Manager

Chinese philosopher Hong Zicheng (1572-1620) said *"When water isn't rippled it is naturally still. When a mirror isn't clouded, it is clear of itself. So, the mind is not to be cleared; get rid of what muddles it, and its clarity will spontaneously appear."*

The language around sustainable investment is cloudy. Even when attending the Sustainable Investment Festival, in June, as a delegate and speaker, I heard both excellent and some very confused usage of the terms ESG and sustainable investment. That's why we so urgently need the UK's forthcoming taxonomies to help ensure we all speak the same language, otherwise we're lost in the fog. With the language muddle resolved, clarity will appear, this will be very constructive for investors.

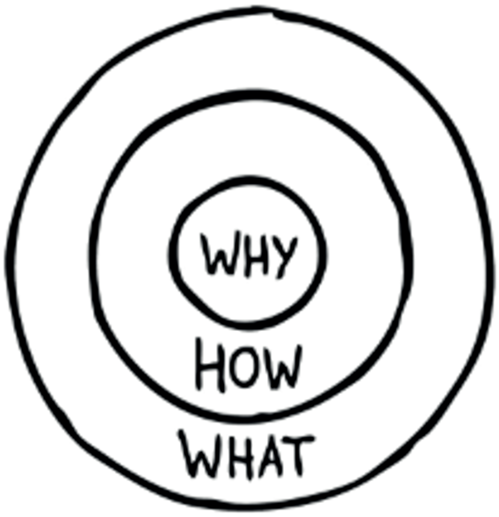
We define sustainable by **WHAT** a company does and think of ESG integration in terms of looking at **HOW** a company does what it does. There is no such thing as an "ESG company" instead we would assess whether "a particular company has good enough management of its environmental, social and governance risks". This assessment depends on good quality underlying data, sadly another industry problem, but also an area of steady improvement. We do the best we can by getting under the bonnet of 'ratings' to interrogate the granular data and make our own assessments.

For those of you who are avid watchers of TED talks, you may well have come across Simon Sinek whose talk "How great leaders inspire action" is number three in the most popular talks of all time.

He adds a third magic circle to the equation: **WHY**

The gold standard sustainable investments, the ones that will change society over the decades ahead, start with the fairy dust from their leadership providing the purpose - WHY the company does what it does. The good news is that for leaders with ecological awareness sustainable goals are easy to get impassioned about and inspire purpose.

Let's apply WHAT/HOW/WHY thinking to a company most readers know well - Facebook/Meta. We're often asked whether Facebook qualifies as a sustainable investment? Let's take a closer look.



Facebook's WHAT is social media, the HOW, achieved through its platforms funded by advertising revenues targeted by algorithms and WHY, is 'to bring the world closer together'. Its rebrand as Meta makes the WHAT also virtual reality, to "move fast together, build awesome things, focus on long term impact, live in the future and to be open." However interesting, social media and building a virtual reality metaverse is not sufficiently relevant to our concern for our planet, and the problems around resource scarcity, climate change and population growth. In our assessment this doesn't make the grade as a sustainable investment eligible for the Climate Assets Fund.

This autumn we expect, from the FCA, the Sustainable Disclosure Requirements and, from the government, a green taxonomy for the UK. Muddle removed, we hope Zicheng was right, and we then have calm clear waters and smooth sailing for investors.

USA – LAND OF THE NOT SO ESG?

Gemma Woodward, Head of Responsible Investment

Much has been made of the US Supreme Court's decision to overturn the Roe vs Wade judgement and to hand back decision making on the right of an abortion to individual states. As a result of the Court's decision, abortion is now banned in 12 states with further states going through the process of restricting access.

It was not just abortion that the Court ruled on recently either. It also sided with Republican efforts to limit the Environmental Protection Agency in how it regulates greenhouse gases from energy companies. This is likely to have far reaching ramifications with the ability to set standards and regulation in other areas likely to become challenging.

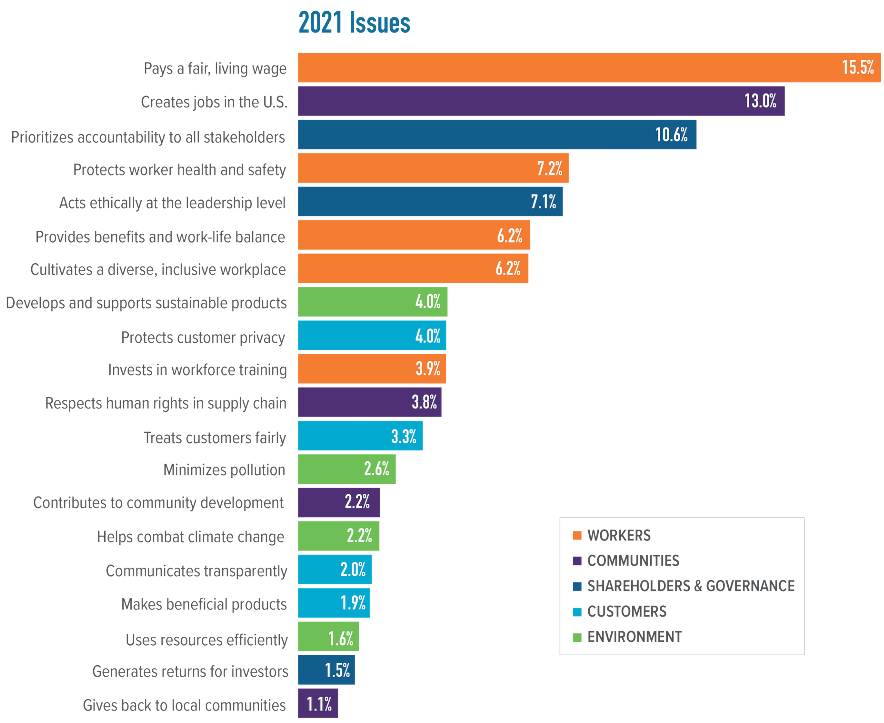
This all comes off the back of US states also looking to stem divestment from fossil fuel industries. Texas has introduced a new state law that prohibits investment firms from managing pension funds in the state if they are found to be boycotting the fossil fuel industry. Texas has been sending out letters to major investment firms questioning their positioning on fossil fuels.

However, these issues are also not just contained to red-blooded Republican states either. Earlier this year California, one of the most liberal of US states, saw its courts rule that a law passed in 2018 that require public companies with five members on their boards to have at least one female representative was unconstitutional to men.

This was despite a Bloomberg study finding that in 2018 just 546 (16%) of the 3,445 seats on boards at the 467 publicly traded Californian companies in the Russell 3000 index were held by women.

It could easily be argued, therefore, that in recent times the US has taken a major step backwards when it comes to responsible investment, and that this is going to make ESG factors harder to analyse and thus the risks for companies and investors are increased.

However, despite the political backdrop and the often-divisive nature of issues within the US, there is still a desire for companies to help bring about a fairer society. JUST Capital undertook a survey in 2021 which identified 20 priorities for just business behaviour or issues. 3,000 Americans were surveyed, and the results below show the percentage probability that an individual would choose that issue as the most important element in defining a just company.



Source: [JUST Capital: SURVEY ANALYSIS: In Great Resignation, Americans Are United in Wanting Action on Wages and Jobs, and Accountability from Corporate America — JUST Capital]

Active ownership

The role of asset owners and investors and their ability to use their influence and engagement to help drive change and ensure we see better governance and outcomes that benefit investors and wider society has become increasingly important.

How companies react to these changes will be judged by investors and customers. As an example, in the aftermath of the Supreme Court's Roe vs Wade decision, we have seen a swathe of companies announcing how they will cover the travel costs for female employees who require an abortion.

And, as recent events show, it is not just social issues that appear under attack. Recently proposed regulation from the Security and Exchange Commission (SEC) regarding climate related disclosures, although welcome, will not be enough on their own and it too is threatened by judicial rulings. However, we recognise that when it comes to analysing and integrating ESG factors, the political situation makes it a tougher market to navigate at times. For example, we have been speaking to a US based manager that is reluctant about becoming a signatory to the UN backed Principles for Responsible Investment; one of the reasons cited is the regulatory outlook in the US.

The US remains an important market for any global or domestic investor given its size and stature, and investors will need to navigate a changing landscape.

Article first published in ESG Clarity, July 2022

RI REELS

Introduction to Quilter Cheviot's responsible investment team

The team shines a light on their day-to-day role and experience.

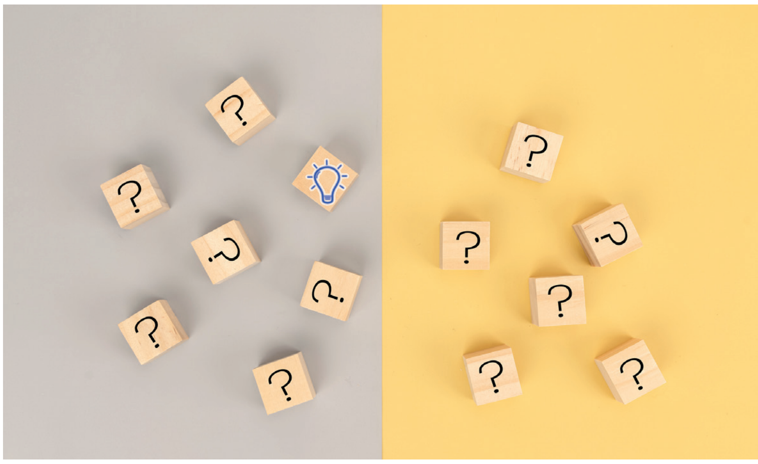
WATCH VLOG

AGM voting season

Kirsty Ward, Responsible Investment Analyst;
Greg Kearney, Senior Responsible Investment Analyst

Greg Kearney highlights the importance of proxy voting season and looking ahead, what we can expect to see.

WATCH VLOG



Incorporating responsible investment preferences

Kirsty Ward, Responsible Investment Analyst;
Duncan Gwyther, Chief Investment Officer

Duncan Gwyther discusses responsible investment preferences and how these are incorporated in order to meet clients' investment outcomes.

WATCH VLOG

Source of images: iStock

OVERVIEW

Overview of our activity across our discretionary holdings at Quilter Cheviot:

Activity	Universe
Voting	Discretionary holdings within the UK, US and European equity monitored lists where we have voting rights including: • 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 This includes our UK, US and European 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. *Additionally, clients are able to instruct voting on their behalf.*
Engagement	• UK, US and European equities within the monitored list • Funds held on the centrally monitored list • AIM Portfolio Service holdings • UK holdings where we own more than 0.2% or £2 million of the market cap.
ESG integration	All holdings within the centrally monitored universe of equities, funds and fixed income.

We use the ISS proxy voting service in order to inform our decision making, however we do not automatically implement its recommendations. When we meet a company to discuss governance issues, the research analyst does so alongside the responsible investment team as we are committed to ensuring that responsible investment is integrated within our investment process rather than apart from it. As part of Quilter, we became one of the first wave of signatories to the 2020 Stewardship Code.

UK STEWARDSHIP CODE

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. We have ensured that two clients were able to instruct their votes over the last quarter.

For information regarding our approach to responsible investment, including our response to the UK Stewardship Code and our voting principles, as well as more granular detail on how we voted at each meeting please visit our website Responsible Investment | Quilter Cheviot.

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 Focused

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 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 Climate Assets Funds** and Strategy

Investing in the growth markets of sustainability and environmental technologies, with a strong underpinning of ethical values. The strategy is fossil fuel free and invests in global equities, fixed interest and alternative investments. Five positive investment themes are at the heart of the stock selection: low carbon energy, food, health, resource management and water.

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.

GLOSSARY

Active Ownership: Where shareholders 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 assets classes such as fixed income, private equity, or real estate.

Clawback (and malus): Incentive plans should include provisions that allow the company, in specified circumstances, to ensure that a recipient:

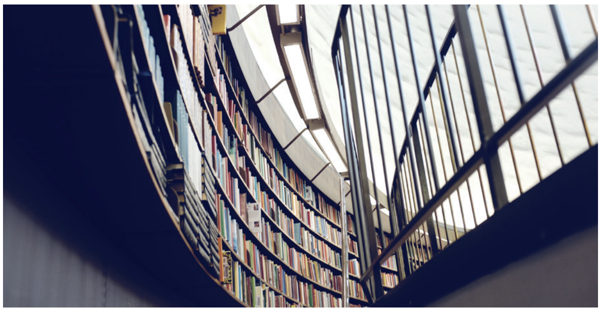
- forfeits all or part of a bonus or long-term incentive award before it has vested and been paid – this is called 'malus' and/or
- pays back sums already paid – this is called 'clawback'.

Disapplication of pre-emption rights: Existing shareholders do not have first refusal on new shares and therefore their holdings will be diluted.

Engagement: Shareholders enter into purposeful dialog with the management or Board of a company with the intention of influencing corporate behaviour. The issues covered can be wide ranging, from corporate strategy, capital discipline, but also environmental, social, or corporate governance matters. Engagement is tool used in active ownership and can be conducted by one investor or a group of investors.

Environmental Factors: Issues related to the environment such as resource, water and land use, biodiversity, pollution, atmospheric emissions, climate change, waste. This is the 'E' in ESG.

Governance Factors: Issues relating to the governance of an organisation, also referred to as corporate governance, examples include board composition, executive remuneration, internal controls, balancing the interests of all stakeholders. This is the G in ESG.



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.

Net Zero: A term that describes an activity, process or organisation which creates no net emissions of carbon dioxide. This can be achieved through use of renewable energy, process changes or offsetting carbon – or a combination of all these. Also referred to as carbon neutral.

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.

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 the company.

Pre-emption right: 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: Responsible investment is a strategy or practice that incorporates environmental, social and governance (ESG) factors into investment decisions and ownership activity.

Restricted share plan: 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.

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.

Social Factors: Issues relating to the relationship between companies and people, such as their employees, suppliers, customers or communities. Examples of social issues of interest to investors include health and safety, labour standards, supply chain management and consumer protection. This is the S in ESG.

Stewardship: Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. When investing in equities it involves proxy voting and active shareholder engagement with company management.

TCFD: Acronym that stands for the Task Force on Climate-related Financial Disclosures. The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information. Regulators are adopting TCFD and, in particular, the UK regulator (FCA) is requiring firms to apply these disclosure rules.

Tender – bid waiver: This is the right to waive the requirement to make a general offer under Rule 9 of the Takeover Code.

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: The SDGs, or the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. There are 17 goals reflecting the most significant challenges facing the world.

Voting Rights: When an investor buys a share in a listed company, that typically comes with specific voting rights which can be exercised at the company's annual general meeting or extraordinary meetings as a means of expressing the opinion of the shareholder about how the company is being managed. Typical issues upon which votes are cast include executive pay, board appointments, mergers or acquisitions, or sale of parts of the business and company annual report and accounts. Also referred to a proxy voting when voting rights are delegated.

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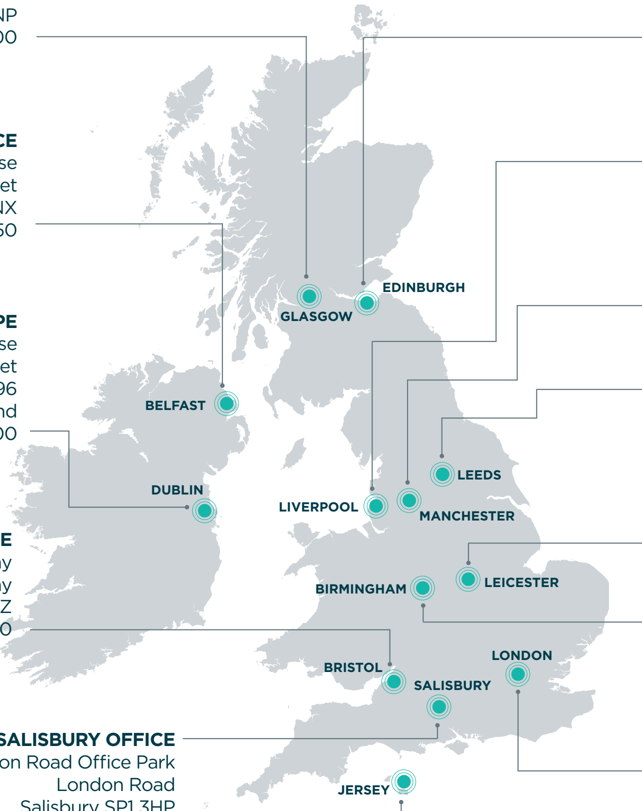

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