

Responsible Investment Quarterly

Quarter 3, 2026



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Welcome

In the third quarter, our stewardship activity was centred on thematic engagement. Following the conclusion of proxy season, we focused on two areas that are becoming increasingly important for long-term investors: artificial intelligence governance and the management of climate transition risks. While the subjects themselves are very different, a consistent theme across our engagements was the growing importance of governance in helping companies navigate complex and fast-evolving challenges.

A significant area of focus during the quarter was our thematic engagement on artificial intelligence, governance and ethics. As AI continues to move from experimentation into day-to-day business operations, we engaged with companies across the pharmaceuticals, financial services and professional information sectors to better understand how they are managing the risks and opportunities associated with the technology. Our discussions focused on oversight, data governance and transparency, particularly in situations where AI is influencing decisions with direct impacts on customers, employees or other stakeholders. While approaches varied between companies, we were encouraged by the extent to which AI is increasingly being treated as a governance and risk management issue rather than simply a technological innovation. At the same time, our work highlighted that ambition is moving faster than accountability and the gaps around transparency and disclosure still need to be addressed.

Climate change also remained a core stewardship priority throughout the quarter. We completed the latest iteration of our biennial Taking the Temperature engagement with some of the companies responsible for the largest proportion of our financed emissions. This provided an opportunity to revisit climate transition plans originally discussed in previous years and assess the progress companies have made against their commitments. The engagements highlighted an increasingly diverse range of approaches to the transition. While some companies continue to advance ambitious decarbonisation strategies and identify new commercial opportunities linked to climate solutions, others are adapting their plans in response to changing policy environments, technology constraints and evolving customer demand. Encouragingly, we saw several examples of companies embedding climate considerations into long-term business strategy rather than treating them as a standalone sustainability initiative.

Alongside this work, we concluded our recurring SBTi Slow to Start engagement, which focuses on companies that have yet to adopt Science Based Targets initiative (SBTi) validated targets. Our discussions highlighted the challenges some businesses continue to face in setting formal targets, particularly in sectors where technological pathways remain uncertain or where regulatory and market conditions vary significantly across regions. At the same time, the engagement reinforced the importance of maintaining robust climate governance and transparent transition planning regardless of whether companies ultimately adopt SBTi validation or pursue alternative approaches.

Beyond our direct company engagements, we continued to participate in industry collaboration and wider stewardship discussions throughout the quarter. These engagements remain an important source of insight as investor expectations continue to evolve across both established and emerging sustainability issues.

As we move into Q4, our focus will turn to publishing our research on the characteristics of a good fund manager, as well as the latest report on investment trusts and the progress since our last reports in 2023 and 2024.



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Our latest research and insights

Read the latest from us in the news this quarter

RESPONSIBLE INVESTMENT

Beyond Special Meetings: Written Consent in an Uncertain Governance Era



The Right to Act by Written Consent: this right allows shareholders to approve corporate actions like removing directors or approving mergers without holding a meeting. In most cases, it requires a simple majority of all outstanding voting shares, meaning action can be taken once sufficient support is secured, without waiting for a formal meeting process.

**Beyond Special Meetings: Written Consent
in an Uncertain Governance Era**

[Click here for the full insight](#)



Adeola Egunnike
Proxy Voting Analyst

Voting highlights

Social voting activity by numbers:



1x vote against additional reporting on charitable support (shareholder proposals)

We voted against a shareholder proposal requesting a report on the costs, benefits and risks associated with corporate charitable support. We concluded that the requested report would not provide sufficiently meaningful additional information to shareholders and that existing disclosures were adequate for investors to assess the company's approach.

Companies voted on: Nike

Governance voting activity by numbers:



16x votes against or withheld from director elections (management items)

We voted against or withheld support from directors where we had concerns regarding board composition, independence, accountability or oversight. We believe directors should demonstrate effective stewardship of shareholder interests and maintain strong governance standards.

Company voted on: 3i Infrastructure, SABESP, Compagnie Financière Richemont (x3), James Latham, Nike, Personal Assets Trust, Prosus (x3), Vianet Group (x2), Vodafone Group, Zephyr Energy



7x votes against remuneration proposals (management items)

We voted against remuneration-related proposals where we did not believe executive pay arrangements were sufficiently aligned with performance outcomes or long-term shareholder value creation. We continue to expect remuneration structures to be transparent, appropriately stretching and clearly linked to performance.

Companies voted on: Compagnie Financière Richemont, James Latham, Nike, Prosus (x3), United Utilities Group



6x votes against shareholder-nominated directors (shareholder proposals)

At Workspace Group, we voted against six Saba-nominated director candidates. Having considered the proposed changes collectively, we did not believe the alternative slate would strengthen board effectiveness or enhance long-term shareholder value.

Companies voted on: Workspace Group



2x votes against auditor-related proposals (management items)

We voted against auditor appointment or reappointment proposals where we had concerns regarding whether continued support was appropriate. Auditor independence and effective oversight remain important safeguards for the integrity of financial reporting.

Companies voted on: Alibaba Group Holding, Vianet Group

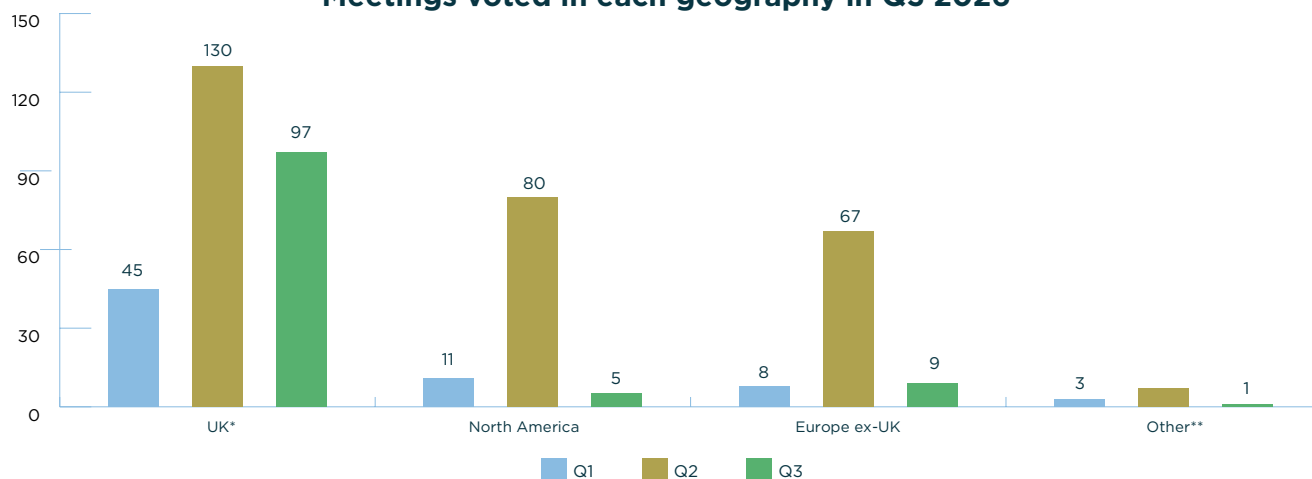
Voting activity

In **Q3 2026** Quilter Cheviot voted at:



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

Meetings voted in each geography in Q3 2026



* Includes the Crown Dependencies of Jersey and Guernsey

** Australia & New Zealand, Asia ex-Japan, Latin America, Japan

Meetings with votes against management in Q3 2026 (excluding shareholder proposals)



Meetings with votes against management in Q3 2026 (including shareholder proposals)



Management resolutions voted against by topic in Q3 2026 (excluding shareholder proposals)



Shareholder proposals supported in Q3 2026





Engagement activity

During the third quarter of 2026 we have undertaken various company and fund engagements, and we include the majority of these within the report. In line with the Shareholder Rights Directive II (SRD II) disclosure regulations, we usually include the name of the company, investment trust, or fund. In some cases, we will anonymise or not include the engagement in our public reporting, as this would be unhelpful in the long-term to the ongoing engagement process.

Our three mega themes of Climate Change, Human Rights and Natural Capital inform our engagement activity. Underpinning our stewardship approach is our Governance engagement activity through which we hold the companies and funds we invest in, to account.

When we engage, we do so with a specific objective and are outcome oriented. The outcome will take a number of different forms including:

- A change in, or validation of the responsible investment categorisation of the holding
- For investment trusts, a change in, or validation of the RAG rating which assesses board composition, board effectiveness, and responsible investment disclosures
- A voting decision
- Addition or removal from a model strategy
- A change in an analyst's recommendation



Environment: climate change and natural capital



Social: human rights



Governance: engagement activity across our holdings

Climate change

Taking the temperature: assessing progress on climate transition plans

We finalised this engagement with those companies we identified as having a material contribution to our financed emissions.

Objective: The aim of this biennial engagement is to evaluate the climate transition plans and risk management of those companies which contribute the most to our firm-level financed emissions. Our discussions will interrogate climate transition plans, evaluating targets committed to and progress to date, with a particular focus on understanding the ‘difficult to decarbonise’ industries and processes.

CRH - Environment

CRH is ‘paving’ the way towards a more sustainable future (in road materials), with its pragmatic approach to circularity, learning by doing, and developing industry-leading technical knowledge on lower-carbon materials. The company has clear targets and an articulate implementation strategy for its climate transition plan. Since we last engaged with the company in 2024 on climate, it has continued to make considerable progress on its operational emissions, driven by twin levers of repowering their kilns and substituting clinker with lower-carbon inputs.

It has increased alternative fuel use in its kilns by 3%, to 39% of total globally (this is 58% for its European assets), and continued to develop its technical expertise in co-incineration and engineered fuels. The depth of this knowledge has enabled the company to scale its use of alternative fuels across its global portfolio at pace, including across North America. In clinker replacement, CRH is expanding its range of supplementary cementitious materials (SCMs), which lowers the emissions of the end concrete / cement products. This has been led by its acquisition of Eco Materials Technologies in 2025, boosting its ongoing research into clinker replacement materials like fly ash, and clays.

CRH’s market position and strong working relationships with state bodies is helpful in overcoming these challenges, enabling useful demonstrations and trials of new and alternative materials. The company emphasised the value of these demonstrations, in demonstrating both feasibility and real-world cost efficiency of novel, lower-carbon products. This example-led approach allows the company to strengthen existing client relationships, attract new customers, and continually advance its commercial offerings in lower-carbon materials and projects.

CRH has taken a different approach in addressing its supply chain (Scope 3) emissions. While it pursues similar supplier engagement initiatives to peers, the company has also invested heavily in acquiring feedstock and supply-related businesses into its group in a bid to ‘become [their] own biggest supplier’. Key to this strategy is the company’s focus on exploiting local opportunities to decarbonise production processes and utilise lower-carbon inputs. The ‘local opportunities, local solutions’ approach dovetails with its global portfolio, as the company proactively seeks out opportunities to apply learnings across different geographies.

Outcome: CRH continues to demonstrate clear progress against its climate targets, particularly operational emissions targets, while growing at pace as an acknowledged leader in building materials. Although the lack of progress on its supply chain emissions target is mildly disappointing, the company is keeping pace with the near-universal struggles to decarbonise supply chains. Importantly, the company continues to ‘walk the walk’, developing lower-carbon products and actively decarbonising its production processes while promoting these lower-carbon solutions to its broad network of clients around the world. Its pragmatic approach is a manifestation of the transition truly being ‘good business’ where wisely implemented. There was no change to the RI categorisation as a result of this engagement.

NEXTERA ENERGY - Environment

NextEra has positioned itself as an American leader in renewable energy adoption by a utility, expanding its portfolio to derive c.10% of its generated energy from renewable sources (excluding nuclear). It has championed its ability to lead by example, demonstrating that renewable energy generation is a ‘trilemma’-solving solution (referencing the oft-cited ‘energy trilemma’ of challenges utilities face in providing lower-carbon, affordable, and secure energy supplies).

This narrative has taken an abrupt shift, as the company has quietly abandoned its Real Zero by 2045 target and associated interim targets last year. This reversal was in fact largely unannounced, tucked into its ‘Sustainability Resource’ document (which replaced its previously thorough annual sustainability report), with only a single Florida-based media outlet citing this development. We were aware of this development given our support for a shareholder resolution at this year’s AGM advocating for clear climate disclosures in the absence of a net zero target or accompanying transition plan. This resolution received 35% shareholder support, highlighting

the salience of this topic for investors.

Our discussion with the company was relatively brief, in light of this strategic shift. The company claims its decision to remove the commitment owes primarily to green hydrogen production not being as economically viable as imagined; however, we do not see this as a credible cause for complete removal of all climate targets. It is much more likely that the increasing energy demands posed specifically by data centre build-out in the US has opened new commercial opportunities for NextEra. While we recognise the importance of continued commercial growth, given the company's previous success in pioneering growth through renewables, it is particularly disappointing to see it abandon this approach in favour of near-term profit.

The company emphasised the continued role renewable energy infrastructure will play in its portfolio. However, it is clear that NextEra intends for considerable growth to come from 'bridge fuels', transitional non-renewables like nuclear and natural gas. Although nuclear power is lower carbon, the spent fuel it produces presents a serious, largely as-yet unaddressed environmental risk in the growing stockpiles of untreated nuclear waste. Natural gas remains a fossil fuel, albeit with a lower emissions profile than other fossil fuels. Significant expansion in energy generation from these sources is, undoubtedly, not aligned with any net zero target.

Outcome: NextEra's shift away from its climate commitments is a disappointing development, particularly for a company which has blazed a prominent, renewable energy-touting trail in the challenging context of the US market. Although the company will continue to build out its renewable energy portfolio, this does not mitigate for the company's conspicuous retrenchment away from the global energy transition. We view this as a marked step backward for the company, particularly as it expands its market share with the acquisition of another high-emitting utility in our portfolio, Dominion Energy. Unfortunately, this change seems an ironic rejection of the company's futuristic title, as it instead embraces the energy sources of yesteryear. The engagement confirmed the company's categorisation in our lowest responsible investment tier.

SSE - Environment

SSE is a strong proponent for the global energy transition, as it continues to progress the electrification of the UK's grid. It has achieved a great deal to date, reducing its absolute operational emissions by more than 55% to date (2018 baseline) as it is well on its way towards its ambitious 2030 target of a 72.5% absolute reduction. Its expansion into renewables has helped it towards its milestone of reducing its carbon intensity (tCO₂e per kWh) below 200 for the first time in 2026.

The company meets many of the criteria we evaluate corporates for on climate responsibility: it has Science Based Target Initiative (SBTi) validated targets covering its materials emissions, it holds regular shareholder votes on its climate transition plan, it issues annual climate lobbying disclosures, and is the UK's largest corporate issuer of green bonds. Despite the headwinds the sector is facing given recent geopolitical turmoil, the company continues to advocate strongly for further investment in renewable energy infrastructure (see its 'Powering secure, affordable energy' report published July 2026).

SSE takes a different view on the role of natural gas in the UK's future, stating plainly that new unabated gas power is more expensive than renewable energy infrastructure, on a lifetime cost basis. Interestingly, the position by SSE is in large part driven by this explosion in growth in, among other places, the US – this has delayed the lead time for new combined-cycle gas turbine (CCGT) systems to at least six years, and for costs to balloon.

Policy signals are a key driver for the utility in dictating its strategy; the company feels it is 'in lockstep' with the UK government's net zero ambitions. The company noted the current Labour government's consistent support for renewable power, citing the increased funding made available during Allocation Round 6 (AR6) and its support for pulling the next auction round forward, as well as ancillary policy moves facilitating reform of planning permissions for renewable infrastructure. It is worth flagging that despite what the company views as a supportive policy environment to date, it is unsure whether its ambitious 2030 renewable generation target (50 TWh) remains achievable.

Outcome: Our discussion with SSE confirmed its position as a leader in progressing the energy transition in the UK, as demonstrated by ongoing progress against its robust decarbonisation targets. We met with the company's relatively new Chief Sustainability Officer, whose expertise and passion for creating a sustainable and affordable energy system shone throughout our conversation. We especially commend the company's strong progress in encouraging suppliers to set SBTi-validated targets (over 61% of suppliers are so aligned), as well as its engagement with SBTi on further refining the power sector target framework.

LINDE PLC - Environment

Objective: We engaged with Linde's Investor Relations team ahead of the AGM regarding Item 5: Report on Renewable Energy Procurement Strategy, a shareholder proposal requesting additional disclosure on the company's renewable energy procurement approach. The purpose of the engagement was to better understand Linde's use of renewable electricity procurement mechanisms, particularly the balance between Power Purchase Agreements (PPAs) and Renewable Energy Certificates (RECs), and to assess whether existing disclosures adequately address the underlying concerns raised by the proposal.

Ahead of the AGM, we contacted Linde seeking further detail on the company's renewable energy procurement strategy, including its use of Power Purchase Agreements (PPAs) and Renewable Energy Certificates (RECs), the rationale underpinning its approach, and whether it anticipates any evolution in this strategy as it works towards its renewable energy and broader climate objectives.

During our meeting, Linde's Head of Investor Relations provided additional context on the company's renewable electricity sourcing and climate strategy. The company explained that it adopts a localised approach to renewable energy procurement, with sourcing decisions determined by the availability and suitability of renewable energy solutions in the jurisdictions where projects operate. This discussion helped address our questions regarding the use of different procurement mechanisms and the practical factors that shape the company's renewable energy sourcing decisions.

Outcome: Following the engagement and subsequent review with our voting panel, we concluded that the additional information provided by the company, together with its existing public disclosures, sufficiently addressed the concerns underpinning the shareholder proposal. As a result, we decided to vote against Item 5, in line with management's recommendation.

NATIONAL GRID - Environment Social

Objective: National Grid contacted the Climate Action 100+ investor group to discuss its approach to community engagement as part of its Great Grid Upgrade infrastructure developments across the UK. Representatives from the company's External Affairs and Land Consents team prepared a detailed presentation featuring case studies and thorough explanations of National Grid's approach to ensuring affected communities are kept informed of and involved in proposed infrastructure developments.

National Grid's community engagement function has been largely built 'from scratch', as prior to the Accelerated Strategic Transmission Investment (ASTI) portfolio the company undertook new infrastructure infrequently and managed associated stakeholder engagement on an ad-hoc basis. It has built a well-resourced national team equipped with extensive training to implement its '5 Cs' approach to consultation across the 17 key projects of the ASTI portfolio. These comprise of: Colleagues, Communities, Consultation, Campaigns and Collaboration.

Following the presentation, National Grid responded to questions from the investors present, including discussion of legal challenges (none to date, however the company has been told to expect these for the Tilbury and SeaLink projects), board involvement in community engagement, and implementation of lessons learned (incremental gains and best practice actively recorded for implementation in future projects). We also asked about how the consultation teams have approached the topic of – and linkages with – net zero in the ASTI projects. The team was clear that it does change the narrative, to focus more on energy security and affordability, in areas which have polled with 'anti-net zero' sentiment. However, the company pointed out that support for renewable energy infrastructure itself has remained consistently high, regardless of politicised phrasing.

Outcome: National Grid provided a thorough, detailed, and evidence-backed overview of its community engagement approach, in response to investor interest in this following on from our routine CA100 engagements with the company. This briefing was an excellent example of proactive engagement with investors on National Grid's part; feedback the investor group gave during our call. Despite the sporadic negative press around some of the ASTI projects, this presentation made a strong case for industry best practice in community engagement and informed consent – a commendable feat, particularly given the compressed timeframes involved in the ASTI portfolio.

RIO TINTO - Environment

Objective: We engaged with Avoid, Reduce, Restore and Conserve Task Force (ARRC), a civil society organisation (CSO) with experience working with Rio Tinto (RT) on reducing impacts to chimpanzee populations in its Simandou Iron Ore mine in Equatorial Guinea. This was following RT highlighting its Memorandum of Understanding (MoU) agreement with the organisation during our engagement with the company's Simandou teams to discuss its Residual Impact Assessment (RIA) findings.

ARRC is a conservation group focused on the protection of apes, comprising ape conservation experts from the International Union for Conservation of Nature (IUCN). Rio Tinto commenced its engagement with ARRC over a decade ago, when it was still evaluating the feasibility of the Simandou project. The company's relationship with ARRC has been sporadically active, until two years ago when ARRC was invited to conduct site visits, after which it issued a report with recommended improvements. Rio Tinto has since signed a Memorandum of Understanding (MoU) agreement with ARRC. Despite this, the company has been very unresponsive to ARRC and has failed to address any of the recommended mitigation measures outlined in ARRC's 2024 site report, nor has RT invited ARRC to return to site to assess progress.

We were disappointed to hear this, given that RT has emphasised that the MoU is a key milestone towards its chimpanzee impact mitigation works at Simandou. ARRC is preparing comments in response to RT's recently published RIA and hopes this might prompt RT to rejoin discussions and create the promised Simandou chimpanzee committee to interface with ARRC more regularly. The organisation helpfully outlined its key concerns and 'asks' of RT, for our information to utilise in our ongoing biodiversity engagements with the company.

Outcome: ARRC was very forthcoming about its efforts to engage with RT around expected impacts to chimpanzee populations resulting from the Simandou mine complex. We were disappointed to learn that despite its MoU in place with ARRC, RT has not been proactive in utilising the ape experts at ARRC to inform its chimpanzee mitigation strategy, nor has it responded to the group's recommendations. We will be utilising the feedback from ARRC in our further engagements with RT through the NA100 collaboration. In the course of our discussions, the investor group and ARRC discussed the possibility of a public-facing letter to RT from ARRC with investor support encouraging better engagement and asking for improvements within a defined timeline.

SIEMENS - Environment

Objective: To understand Siemens' current climate policy engagement and lobbying alignment as assessed by InfluenceMap's LobbyMap tool and identify opportunities for the company to strengthen its climate policy advocacy, transparency and industry association oversight prior to our company engagement later this year as part of Institutional Investors Group on Climate Change (IIGCC) Net Zero Engagement Initiative (NZEI).

We met with InfluenceMap (an independent think tank) to discuss Siemens' current LobbyMap (the core digital platform and database maintained by InfluenceMap) assessment and areas for improvement. Siemens currently receives a C+ rating, reflecting a relatively strong organisational climate policy position, mixed alignment through industry associations, and high policy engagement intensity compared with European industrial peers. InfluenceMap highlighted that Siemens has historically been supportive of several climate-related policies, including the EU Green Deal, Nationally Determined Contributions, energy efficiency legislation, electrification initiatives and aspects of the US Inflation Reduction Act. However, recent advocacy has been less consistently supportive, with examples of opposition to more ambitious aspects of the EU Emissions Trading System and efforts to limit the scope of certain regulations. While Siemens demonstrates comparatively strong direct disclosure of some advocacy activities, reporting is selective and does not provide a complete picture of all policy positions and consultation responses. Industry association memberships were identified as a particular area of concern, with a mix of aligned and misaligned associations and limited disclosure regarding how Siemens manages these relationships. InfluenceMap suggested that Siemens has significant potential to demonstrate leadership on climate policy engagement, particularly by maintaining support for ambitious climate measures while continuing to advocate for European competitiveness.

Outcome: The analysis LobbyMap provided and ensuing discussion were helpful in informing how we could constructively frame our concerns about some inconsistencies in Siemens' climate policy engagement activities. Crucially, these analyses included best practice examples from peers in European industrials as well as discrete examples of the 'mixed messaging' the company has directly and indirectly (via industry associations) taken around climate policy.

Human rights

Moral machines: Artificial Intelligence (AI) and ethics

We finalised this engagement with those companies we identified as having material exposure to AI within our investment universe.

Objective: As AI systems become more integrated into commercial processes, the ethical implications of their use have come under increasing scrutiny. We have engaged with investee companies to better assess the challenges and opportunities that arise when developing and deploying AI technologies, including issues of bias and fairness, as well as questions of accountability, privacy, and transparency. Our engagement focuses on exploring the measures companies have in place to address and manage the principles of AI use in relation to human values, ensuring that companies have appropriate policies and practices in this area, and that they maintain a robust standard of reporting incidents.

EXPERIAN - Social

Experian provided a detailed overview of how AI is embedded across its business and increasingly central to its strategy. The company has used machine learning for many years in areas such as credit analytics, fraud detection and identity management. Generative AI represents the next phase of that evolution. AI capabilities are now being integrated across core business customers (B2B platforms), consumer-facing financial health services and internal productivity initiatives. The company also highlighted newer opportunities, including agentic services and AI-enabled commerce. Given the highly regulated nature of many of Experian's end

markets, the company stressed that innovation must be balanced with compliance, customer protection and risk management.

Experian's governance framework centres on a Global AI Policy supported by its broader Global Data Principles of Security, Integrity, Fairness, Transparency and Inclusion. The policy applies across machine learning, generative AI and agentic AI applications. It establishes requirements around human oversight, accountability and the prevention of harmful or discriminatory outcomes. Oversight is provided through a dedicated Global AI Risk Council, which reports into senior leadership, the Executive Risk Management Committee and, where appropriate, the Board and Audit Committee. The framework is closely aligned with the company's wider risk management processes and reflects the view that AI should be governed as a business enterprise risk and trust issue rather than simply a technology based one.

Outcome: Our engagement found that Experian has developed a credible and relatively mature framework for managing AI-related risks. The company has established clear governance structures, embedded AI oversight within wider risk management processes and linked responsible AI principles to its longstanding approach to data governance. Its emphasis on human oversight, continuous monitoring and model-agnostic deployment reflects a pragmatic understanding of both the opportunities and risks associated with AI.

Data governance emerged as a particular strength. Experian appears to have robust controls around privacy, security and data quality, supported by established risk management processes and extensive experience operating in highly regulated markets. The company also demonstrated a thoughtful approach to emerging issues such as third-party model governance, explainability and regulatory change.

Experian discloses considerable information on policies, oversight structures and responsible AI principles. It provides much less visibility into outcomes. More detailed disclosure on fairness testing, AI incidents, appeals processes, model performance and post-deployment monitoring would help investors better assess the effectiveness of these arrangements in practice. This is particularly relevant given the company's role in credit, identity and fraud-related markets, where AI systems can have meaningful impacts on individuals.

Overall, we were encouraged by Experian's approach to responsible AI and believe the company is broadly moving in the right direction. The governance framework appears stronger than public disclosures alone might suggest, and management demonstrated a clear awareness of the ethical challenges associated with AI deployment. Continued improvements in transparency and outcome-based reporting would further strengthen investor confidence as AI becomes increasingly embedded across the business. There was no change to the RI categorisation as a result of this engagement.

JP MORGAN CHASE & CO - Social

The company presents AI as strategically central, but its approach is framed less as a standalone "AI ethics" programme and more through existing controls, such as data governance, privacy, cybersecurity, model-risk management, operational resilience and customer/client outcomes. This is understandable given the firm's scale and regulatory environment. Its public disclosures show a large AI programme, including the rollout of LLM Suite to more than 200,000 colleagues in a controlled environment, use cases across fraud detection, 'Know your customer' (KYC), sanctions screening, research, cash-flow prediction, trading capital optimisation and adviser tools. The company holds a leading position in external AI maturity benchmarks. Overall, we found the company to be a highly sophisticated AI user with strong internal capabilities, but with scope to make its responsible-AI governance more visible and easier for external stakeholders to assess.

The company is clearly a leading AI user in financial services, with significant technical capability, a firmwide 'Trustworthy AI Center of Excellence', controlled deployment of generative AI, strong data-protection instincts, and a governance culture grounded in risk management, cybersecurity and regulatory discipline. Its approach may be less easily summarised than a standalone Responsible AI Principles document, but it appears to be deeply embedded in the firm's operating model.

At the same time, like most sophisticated AI users, there are areas for improvement. It could enhance its approach by increasing external transparency on responsible-AI governance, including board oversight, bias testing, explainability controls, human-review processes, incident/escalation routes and selected metrics or case studies showing how controls operate in practice. We did not find a consolidated public responsible-AI charter or detailed disclosures on production-level fairness testing, model performance or hallucination controls, and these are areas where further reporting would support investor confidence.

Outcome: Overall, we were satisfied that the leadership understands the ethical, operational and regulatory implications of AI and is managing them through a serious, control-oriented framework. Based on this engagement, we have confirmed JP Morgan Chase's Responsible Investment rating, reflecting our confidence in the company's current trajectory. We encouraged the company to maintain its cautious, risk-led approach as AI becomes more embedded across the financial system, while improving public transparency so investors can better assess not only the scale of AI adoption, but the effectiveness of the governance supporting it.

ANGLO AMERICAN - Social

Objective: We supported an investor engagement letter as part of our participation in the PRI Advance collaborative engagement.

Quilter Cheviot is a member of the Anglo-American working group for PRI Advance. Through this human rights focused collaborative engagement, we have been regularly engaging with the company to improve and maintain standards at mine sites. The company

is currently completing a merger with Teck Resources. While the merger is being finalised, as a group, we felt it necessary to write to the company to encourage the combined entity to maintain some of Anglo-American's market leading social issue monitoring processes and use this opportunity to enhance commitments in other areas (such as external auditing for mine sites).

Outcome: This letter has been sent to the company, and we will continue to use the formalised requests as a formal framework for further engagement with the new combined entity.

Governance

ALIBABA - Governance

Objective: We engaged with Alibaba ahead of the AGM regarding the proposed reappointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the company's auditors. Given ongoing regulatory concerns relating to the auditors, we sought additional context from the company to inform our voting decision.

We contacted the company to understand its rationale for retaining the incumbent auditors despite regulatory actions and concerns raised regarding their conduct and suitability. We requested additional information that might explain the board's assessment of the auditors and any steps taken to address these concerns. However, we did not receive a response before our voting deadline.

Outcome: In the absence of additional information from the company, we maintained our previous position and voted against the reappointment of the auditors. Our decision remained consistent with our vote at the prior year's annual meeting and reflected our concerns regarding the auditors' suitability in light of the issues raised by regulatory authorities.

AKZO NOBEL - Governance

Objective: We engaged with Akzo Nobel's investor relations team ahead of the EGM expressing our intention to vote against Item 2.0 - Approval of the Discharge of the AkzoNobel Supervisory Board. The discharge vote asks shareholders to approve the supervisory board's oversight and actions during the year. The purpose was to communicate our governance concerns and ask for any additional context that could inform our voting decision.

We believed the proposed post-merger governance framework could weaken shareholder rights and reduce board accountability. In our correspondence with the company, we highlighted concerns that several governance changes appear to be the result of deliberate structural choices rather than unavoidable consequences of the transaction, and that shareholders had not received comparable consultation on governance matters relative to other aspects of the merger. The company did not respond to our request for further information on the matter.

Outcome: In the absence of additional justification from the company, we remained concerned about the potential weakening of shareholder rights and accountability under the proposed framework. As a result, we voted against the resolution (Item 2.0).

BURBERRY GROUP - Governance

Objective: We engaged with Burberry ahead of the 2026 AGM on Item 2 (Approval of the Remuneration Policy) and Item 16 (Approval of Amendments to the Burberry Share Plan). The purpose of the engagement was to better understand the rationale for the proposed remuneration arrangements, assess how the Board had addressed concerns around quantum and pay structure, and inform our voting decision.

We contacted the Investor Relations team to better understand the rationale behind the proposed remuneration policy and share plan amendments, particularly regarding pay quantum and the balance between performance-linked pay and certainty. In response, the company provided additional information, including a letter from the Remuneration Committee Chair addressing our concerns. Following a review of the company's explanation and a comparison of the proposed arrangements against similarly sized peers, we concluded that the revised remuneration framework was broadly aligned with market practice and did not appear excessive.

Outcome: The engagement addressed our key concerns and provided sufficient justification for the proposed changes. As a result, we voted in favour of Item 2 (Approval of the Remuneration Policy) and Item 16 (Approval of Amendments to the Burberry Share Plan).

COHORT - Governance

Objective: We engaged with Cohort ahead of the annual general meeting regarding the re-election of Nick Prest as chair of the Nomination Committee. The engagement sought additional context on the board's approach to diversity, particularly ethnic minority representation, and the governance considerations underpinning committee composition and director independence.

In response to our engagement, the company explained that it follows the Quoted Companies Alliance Corporate Governance Code (QCA) and prioritises recruiting directors with the skills, experience and industry expertise required to support the business, while taking diversity considerations into account.

The company also explained that, as an AIM-listed company, it is not required under the QCA Code to commit to appointing a director from an ethnic minority background and does not apply our proxy adviser's voting guidelines as a governance benchmark. We further noted the company's disclosure on gender diversity in its Annual Report and encouraged greater transparency on ethnic minority representation and related succession planning considerations going forward.

Outcome: Having considered the company's response and explanation of its governance approach, we were satisfied that the board takes diversity into account within its recruitment and succession planning processes. As a result, we decided to vote in support of Item 5, the re-election of Nick Prest. We nevertheless encouraged the company to enhance its disclosure on ethnic minority representation to provide shareholders with greater transparency in this area.

ETHICAL SCREENING - Governance

Objective: We meet our ESG data providers regularly as part of our ongoing dialogue and due diligence.

Ethical Screening provides two specific services to Quilter Cheviot: 1) the provision of exclusions driven data and 2) UN Sustainable Development Goal (SDG) alignment metrics for our Sustainable Opportunities funds and strategies. We discussed refinements that Ethical Screening has made to these services, as well as how it uses AI within its processes.

Outcome: The meeting was useful in understanding Ethical Screening's internal processes as well as the regulatory landscape facing ESG data providers.

MHA - Governance

Objective: We engaged with MHA ahead of the annual general meeting following our intention to vote against the proposed Remuneration Policy, based on concerns regarding the absence of a fixed maximum limit on awards under the company's long-term incentive plan (LTIP). The purpose of the engagement was to understand the board's rationale for adopting this structure and to assess whether sufficient safeguards were in place to protect shareholder interests.

Our concern related to the proposed LTIP, which permits awards without a defined maximum limit and is therefore not aligned with best practice remuneration standards. In response to our engagement, the company provided additional context regarding the origins and intended use of the arrangement.

MHA explained that the LTIP was introduced in connection with the company's IPO in April 2025. According to the company, external advisers recommended the adoption of an LTIP as a market-standard mechanism to align executive incentives with shareholder value creation and to provide assurance to prospective investors during the listing process. The company noted that the arrangement was designed specifically for the CEO and CFO at the time of admission and was intended to operate only for a limited period.

The company acknowledged that the LTIP does not contain an explicit cap on awards and recognised that this feature may raise concerns from a governance and shareholder alignment perspective. However, it emphasised that the arrangement was intended as a one-off IPO-related measure rather than a permanent component of executive remuneration. The company stated that, once the current LTIP period concludes, any future incentive arrangements for senior executives will incorporate defined limits on award levels.

Outcome: While we continue to view uncapped LTIP arrangements as inconsistent with remuneration best practice, we considered the company's explanation that the structure was implemented in the context of the IPO and was intended to be temporary. We also noted the company's commitment that future incentive arrangements will include limits on awards. Given these unique circumstances, we decided to support the remuneration policy on a one-off basis.

NIKE - Governance

Objective: We engaged with Nike's investor relations team ahead of the annual meeting following our intention to review our vote on Item 2: Advisory Vote to Ratify Named Executive Officers' Compensation. The purpose of the engagement was to better understand the board's rationale for the CEO's \$15 million retention equity award, how shareholder returns and long-term alignment were considered in granting the award, and to inform our voting decision.

We sought additional context on the retention awards granted to Nike's CEO. The company explained that the awards were intended to support retention and execution of its turnaround strategy following significant leadership changes.

Nike noted that 50% of each award is subject to continued service through December 2027, while the remaining 50% is tied to adjusted operating margin growth in fiscal 2027. The company also stated that shareholder feedback, market practice and peer benchmarking were considered when determining the awards.

Outcome: While we appreciated the additional context and acknowledged the inclusion of a performance-based component, we remained concerned by the one-off nature of the retention award. Consistent with our voting policies, we decided to vote against Item 2: Advisory Vote to Ratify Named Executive Officers' Compensation.

RYANAIR HOLDINGS - Governance

Objective: We engaged with Ryanair's investor relations team ahead of the annual general meeting following concerns regarding the size of the proposed ten million share option award granted to the CEO as part of his contract extension. The purpose of the engagement was to better understand the board's rationale for the award, how its quantum had been determined, and whether it was appropriately aligned with shareholder interests.

We engaged with the company to better understand the rationale for the proposed ten million share option award granted to the CEO as part of his contract extension. During our discussion, Ryanair explained that the award is subject to highly demanding performance conditions and would only deliver value if the company achieves stretching long-term targets. The company also highlighted its strong operational and financial performance and provided remuneration benchmarking showing that, when considering the CEO's base salary and annual bonus opportunities, overall pay remains below that of many chief executives at comparable global airlines. Ryanair presented the option award as a long-term retention and motivation mechanism designed to reward exceptional value creation, with the substantial quantum reflecting the difficulty of the performance metric.

Outcome: Following the discussion, we reviewed the information with our voting panel and decided to support the remuneration policy. In reaching this decision, we considered the challenging performance targets attached to the award, the company's strong operational and financial performance, and the overall level of remuneration relative to peers.

SUNBELT RENTALS - Governance

Objective: We engaged with Sunbelt Rentals ahead of its AGM regarding our intention to vote against Item 2: Advisory Vote to Ratify Named Executive Officers' Compensation. Our concerns related to limited disclosure of Performance Stock Units (PSUs) performance targets and above-target payouts following the removal of original performance conditions.

The company explained that fiscal 2026 was a transition year due to its re-domiciliation to the U.S. and NYSE listing. It noted that remuneration outcomes largely reflected its legacy UK compensation framework and decisions required to support the transition. The company also stated that it is finalising a new fiscal 2027 executive compensation programme that will remain strongly performance-based and aligned with shareholder interests.

Outcome: While we considered the context provided, we were not satisfied that it adequately addressed our concerns regarding incentive design, target disclosure and payout outcomes. Accordingly, we maintained our position and voted against the item.

Zephyr Energy Plc - Governance

Objective: We engaged with Zephyr Energy ahead of the annual general meeting on the re-election of Rick Grant (chair), Gordon Stein and Tom Reynolds due to concerns regarding director independence and the composition of the Audit and Remuneration Committees. The purpose of the engagement was to better understand the board's assessment of independence, the rationale for the current committee structure, and the context surrounding historical share option awards to non-executive directors to inform our voting decision.

We raised concerns regarding the independence of three directors, noting that one serves as a representative of a significant shareholder and that the other two hold share options in the company.

In response, the company explained that, as an AIM-listed company, it follows the Quoted Companies Alliance Corporate Governance Code rather than the UK Corporate Governance Code. The board acknowledged that Rick Grant would generally not be viewed as independent due to his relationship with a substantial shareholder and that Gordon Stein and Tom Reynolds may be perceived as

non-independent because of their share option holdings but explained that the shares were granted more than five years ago when the company was significantly smaller and cash constrained, and that these holdings do not represent a material interest in the business.

Following further engagement, the company confirmed that there are no current plans to grant additional share options to non-executive directors and that further awards are considered highly unlikely. The company reiterated that no option awards have been made to non-executive directors for more than five years.

Outcome: Following consideration of the additional information provided by the company, we concluded that the historical option awards to Gordon Stein and Tom Reynolds are not sufficiently material to compromise their independence and took comfort from the company's confirmation that no further awards to non-executive directors are currently anticipated. We therefore decided to support the re-election of Gordon Stein and Tom Reynolds. However, our policy remains that the chair should be independent. As Rick Grant serves as a representative of a significant shareholder, he does not meet our independence expectations for the role of chair. Consequently, we decided not to support his re-election at the 2026 AGM.



Fund engagement

We invest in funds managed by other investment firms. Below are some of the third-party fund engagements we have carried out over the last quarter. We will at times anonymise engagements where we feel it would be unhelpful to disclose names. We track the developments and outcomes over time. The engagements are split into four areas:

- 1 The firmwide approach to responsible investment
- 2 Manager and strategy approach to responsible investment
- 3 Engagement on ESG risk and exposure
- 4 The firmwide approach to net zero

ARTISAN GLOBAL VALUE

Objective: To undertake a deep dive ESG discussion meeting with the Artisan Global Value Fund as part of the initiation process of adding the fund to the centrally monitored universe.

We met with the Artisan Global Value team to discuss the integration of ESG considerations within their investment process and to gain a deeper understanding of ESG practices at both the firm and strategy levels. We discussed Artisan Partner's approach to ESG which is viewed through long-term investment and risk-management lens consistent with its core objective of generating sustainable returns for their clients. ESG analysis is embedded within each investment team rather than managed through a centralised sustainability function. The team emphasised that ESG factors are assessed where they are financially material to a company's intrinsic value and long-term investment case, rather than reflecting personal values or exclusions-driven investing.

At the firm level, sustainability is reflected across several pillars, including talent management and diversity, equity and inclusion (DEI) initiatives, community engagement and philanthropy through the Artisan Foundation, and operational environmental management. The firm publishes a Corporate Social Responsibility (CSR) report and discloses greenhouse gas emissions, while acknowledging its ability to influence its environmental footprint is somewhat limited as a tenant rather than a property owner. For UCITS vehicles, Artisan applies firm-wide exclusions including cluster munitions, thermal coal and civilian firearms. The firm continues to monitor evolving sustainability regulations, including Sustainable Finance Disclosure Regulation (SFDR) requirements and the emergence of International Sustainability Standards Board (ISSB) reporting standards. Governance oversight is provided through the publicly listed Artisan Partners Asset Management (APAM) board. Proxy voting responsibility is delegated to individual investment teams, with voting decisions made by portfolio managers based on company-specific circumstances.

The Global Value strategy evaluates ESG factors primarily as potential risks or opportunities that may affect a company's long-term value creation. Environmental considerations are assessed through their impact on business economics, regulation and competitive positioning. Examples cited included energy transition risks, carbon pricing mechanisms and climate-related regulation. Social factors are incorporated where they have a demonstrable impact on business performance, such as labour relations and workforce management. Governance remains a particularly important component of the investment process, with the team focusing on management quality, shareholder alignment, board oversight, capital allocation and financial discipline. The investment team supplements its proprietary research with third-party ESG data from Morningstar Sustainalytics but does not rely solely on external ratings. The Artisan team does not focus on aggregated portfolio-level ESG metrics, preferring a bottom-up stock selection approach centred on company-specific fundamentals and material ESG risks. Board diversity is considered within a broader governance assessment, with engagement focused on promoting diversity of thought and effective board oversight. The team noted that historically the strategy has had limited exposure to energy and materials sectors due to concerns around business quality, capital intensity and return characteristics. However, selective investments have been made where valuation and quality criteria aligned, including positions in Shell and TotalEnergies during 2020-2021. More broadly, the team expressed the view that governments, rather than investors, should establish societal rules and regulatory frameworks, particularly in relation to issues such as digital platform regulation and social media harms. The investment team's role is to assess how such factors may affect business fundamentals and long-term shareholder value.

Engagement examples with Heidelberg Materials, Samsung and Danone were provided. The team initiated its position in Heidelberg Materials in 2019 when valuation multiples were depressed due to concerns regarding the company's carbon-intensive operations. However, the team viewed cement and concrete as indispensable materials with limited substitutes and believed the market was underestimating the impact of emerging carbon pricing mechanisms and the company's ability to adapt. Since investment, Heidelberg has become a leader in the use of recycled materials and decarbonisation initiatives. The team continues to engage with management, particularly around capital allocation and decarbonisation-related investment decisions. Although the position has been partially trimmed following significant share price appreciation, the company remains a holding.

Danone was purchased in early 2020 based on the team's view of its strong asset quality and market position. Despite receiving relatively favourable governance assessments from external ESG providers, the investment team identified governance weaknesses, including an overly large board and concerns regarding management incentives and accountability. The team engaged with the company on governance reforms and observed meaningful progress over the subsequent one to two years, including the appointment of new independent directors and a new Chair. The team cited Danone as an example where its internal governance assessment differed materially from third-party ESG ratings.

In terms of an on-going engagement, Samsung was cited as an example where the team has been engaging long-term on governance issues. Discussions have focused on improving capital allocation and shareholder returns. While management has been less receptive to engagement efforts, the team remains invested given the underlying investment case, noting that governance improvements would enhance but are not essential to the thesis.

Outcome: Overall, the engagement provided an insightful overview of how Artisan Partners and the Global Value Fund considers ESG. It is a pragmatic approach to sustainability issues through a risk management lens and engages with companies on issues they deem to be a financial risk to the company. This engagement has helped to determine the ESG categorisation of the fund as Aware.

BAILLIE GIFFORD JAPAN

Objective: To discuss governance, succession planning and responsible investment oversight with the chair of the trust.

We discussed the trust's management structure, succession planning and ESG approach. Following the deputy manager of the trust stepping down in mid-2025, the chair expressed confidence in the portfolio manager's ability to manage multiple Japan-focused portfolios. He noted that the manager was supported by Baillie Gifford's broader team of Japan specialists and that any future succession decisions would be made in consultation with the board.

ESG considerations were described as well integrated within the investment process. We encouraged greater disclosure on engagement activity and outcomes, including case studies demonstrating how stewardship efforts have influenced company behaviour. Baillie Gifford highlighted ongoing governance-focused engagement in Japan, including a conference on board quality and director effectiveness. We also discussed the importance of tracking engagement outcomes more systematically beyond published voting statistics and the chair will provide this feedback to the board.

Outcome: Overall, we are happy with the board's oversight of succession planning and responsiveness to feedback on ESG disclosures. While ESG integration appears robust, we encouraged enhanced stewardship reporting through clearer evidence of engagement activity and measurable outcomes. The meeting reaffirmed the trust's RAG rating.

BRICKWOOD UK VALUE

Objective: To understand the fund's approach to ESG and stewardship as part of the fund's initiation process.

Brickwood's ESG approach is notable for its close integration with fundamental investment research and stewardship. As a single-strategy value manager, ESG analysis is embedded within the investment process rather than operating as a separate oversight function. The firm's Head of Sustainability works directly alongside portfolio managers from idea generation through to engagement and voting, supporting a highly coordinated approach to responsible investment.

The investment process begins with quantitative value screens, followed by company-level ESG analysis. Rather than applying broad exclusions, the team seeks to understand whether ESG risks are appropriately reflected in valuations and whether engagement can improve long-term outcomes. Aside from a controversial weapons exclusion, the firm prefers active analysis and stewardship over screening-based approaches. Brickwood does not rely on third-party ESG ratings despite using external data providers. Instead, analysts conduct proprietary assessments across a range of ESG indicators, reviewing material controversies and identifying company-specific engagement objectives prior to investment. ESG considerations are formally captured within investment due diligence through an assessment of non-financial risks and potential stewardship opportunities. The discussion highlighted a clear focus on financially material ESG issues through several case studies including UK housebuilders and water utilities, and product safety issues at companies like Polaris (the vehicle manufacturer).

Stewardship represents a core component of Brickwood's investment philosophy and is viewed as a tool for unlocking value rather than fulfilling compliance requirements. Engagement objectives are focused on issues considered material to the investment thesis, with voting used to reinforce engagement objectives where necessary. For a fund established approximately two years ago, it is evident that the team has carefully considered how ESG integration can be embedded within the investment process, with stewardship and sustainability analysis incorporated from idea generation through to engagement and voting activities.

Outcome: Brickwood demonstrates a well-integrated, investment-led approach to ESG that is consistent with its value philosophy. The firm's strongest attribute is the alignment between investment decision-making and stewardship, with ESG analysis focused on identifying mispriced risks and engagement opportunities rather than meeting portfolio-level sustainability targets. This was an initiation discussion which will contribute to the fund's ESG categorisation.

CG ABSOLUTE RETURN FUND

Objective: To understand in depth CG Absolute Return Fund's ESG integration approach.

We met with the CG Asset Management team to understand the firm's approach to ESG and to discuss how the Absolute Return strategy incorporates ESG factors as part of the investment process. The team outlined its responsible investment (RI) approach across its two investment strategies and six funds. While the firm does not market itself as a dedicated ESG or sustainability-focused asset manager, RI considerations are integrated consistently across all portfolios through a common framework. The firm views ESG as an element of prudent risk management and investment decision-making rather than a standalone investment objective.

Responsibility for responsible investment and climate-related matters sits with the firm's Responsible Investment Committee, which is chaired by the CEO and includes representatives from investment, risk and operations functions. The committee is responsible for coordinating responsible investment initiatives across the organisation and ensuring that sustainability considerations are incorporated into firm-wide processes. As a relatively small firm of approximately ten employees, CGAM does not maintain a dedicated responsible investment team but rather ownership of ESG integration is embedded within the investment process, with investment professionals actively participating in ESG oversight. Investment papers presented to the investment committee include material ESG considerations, with these factors incorporated into investment discussions and approval decisions. The firm highlighted continuous improvements in client RI reporting as a key priority which initially covered the multi-asset and absolute return strategies before being expanded to fixed income portfolios. CGAM is now introducing Scope 1 and Scope 2 carbon reporting across all funds and at the firm level. Reassuringly, maintaining Principles for Responsible Investment (PRI) signatory status and mitigating greenwashing risk are also important governance objectives for the firm.

CGAM incorporates ESG considerations throughout its investment process and uses them as one of several factors influencing investment decisions, including position sizing. The firm's approach reflects its absolute return and capital preservation objectives; rather than applying ESG as a separate overlay, material sustainability risks and opportunities are considered within the broader assessment of downside risk, valuation and long-term investment outcomes. When assessing sovereign bonds, CGAM focuses on factors that may influence a country's long-term creditworthiness and financial stability. This includes consideration of governance quality, social conditions and broader economic resilience. The firm noted that portfolios investing in UK and US government bonds would not exclude those securities on ESG grounds due to mandate constraints. However, ESG factors are considered when assessing alternative sovereign exposures. For example, Singaporean government bonds were considered as a potential alternative when reducing US dollar exposure but the team ultimately decided against investing due to governance concerns identified through its ESG assessment framework.

Investment trusts and REITs represent a significant area of focus for the firm and a key area of stewardship activity. The team views governance as the most material ESG consideration in this asset class due to the importance of boards in protecting shareholder interests. Engagements are primarily conducted with boards and external managers, with particular focus on:

- Capital allocation discipline;
- Discount management and discount control mechanisms;
- Board effectiveness and independence;
- Corporate governance practices; and
- Long-term shareholder value creation.

The team emphasised its detailed knowledge of investment trust boards and governance structures, including cross-directorships across the sector. Voting records are publicly disclosed, and decisions are made on a resolution-by-resolution basis by the investment team. CGAM cited its opposition to the proposed HICL Infrastructure and TRIG merger as an example of active stewardship, arguing that the transaction was not in shareholders' best interests. The team also discussed engagement around investment trust discounts and acknowledged that its views on activist investor involvement, including Saba Capital's activities within the sector, may differ from broader market consensus. While board independence remains an important consideration, CGAM noted that governance assessments are applied pragmatically. For example, the firm does not automatically oppose directors who exceed standard tenure guidelines where continuity and experience are judged to be beneficial for shareholders. CGAM believes engagement is most effective where investors can influence outcomes that enhance long-term shareholder value, particularly through improved governance, capital discipline and board oversight.

Outcome: Overall, the discussion demonstrated a pragmatic and investment-led approach to responsible investment. While CGAM does not position itself as a sustainability-focused manager, ESG considerations are embedded within governance structures and investment decision-making processes. The strongest evidence of ESG integration was observed in the firm's governance-focused stewardship activities within investment trusts and REITs; however, it was not as strong across other E and S factors. This engagement re-affirmed the ESG categorisation of the fund.

JANUS HENDERSON ABSOLUTE RETURN

Objective: To understand in depth the fund's ESG integration approach.

We met with the portfolio management team to discuss the ESG approach within the Janus Henderson Absolute Return Fund, an equity long/short strategy. The team highlighted that assessing the fund's ESG profile requires a more nuanced approach than a traditional long-only portfolio, given its extensive use of Contracts for Difference (CFDs). As a result, standard ESG data providers such as MSCI only capture the physical holdings and therefore provide an incomplete view of the portfolio's overall ESG characteristics. The team is developing bespoke reporting that incorporates CFD exposures, particularly within the long book, and have agreed to share this information once it is ready.

The portfolio is managed through two distinct books: a longer-term, fundamentally driven Core Book and a shorter-term Tactical Book. ESG considerations are primarily integrated within the Core Book, where the team believes that companies with weak ESG characteristics are more likely to underperform over the long term. ESG analysis is embedded within security selection and due diligence, with a particular focus on factors deemed financially material to each company. Governance was highlighted as the most important ESG consideration within the strategy, and the investment team undertakes extensive engagement with company management, often holding multiple meetings throughout the lifecycle of an investment to discuss issues such as management changes, board effectiveness and corporate governance. The portfolio managers work closely with Janus Henderson's central ESG team, which provides specialist research, engagement support and wider monitoring of ESG developments. Examples discussed included engagements with CRH and BAE Systems, where ESG considerations formed part of the overall investment assessment.

Climate risks and opportunities are assessed using the firm's proprietary ESG Explorer platform, with analysis focused primarily on the Core Book. The team is also reviewing developments in emissions trading schemes and wider regulatory frameworks to assess their potential impact on portfolio companies and investment opportunities. Overall, ESG is viewed as a tool to improve long-term investment outcomes and risk management rather than as a standalone investment objective.

Outcome: Overall, this engagement provided an interesting insight into how the fund considers ESG as part of the investment process and the challenges that exist with integrating ESG factors across the short book. The engagement has reaffirmed the ESG categorisation of the fund.

NB EVENT DRIVEN FUND

Objective: To understand the fund's approach to sustainability and ESG.

We met with the fund team to discuss the fund's ESG philosophy as part of wider research to understand how hedge fund and absolute return strategies approach ESG considerations. The fund's event-driven, market-neutral strategy is designed to capitalise on short- to medium-term corporate activity such as mergers, acquisitions, and other market catalysts. These opportunities are typically unrelated to long-term sustainability risks, making the integration of these risks or the utilisation of ESG rating systems (e.g. the NB ESG Quotient) not financially material and hence not relevant to the investment process. The fund is categorised under Article 6 of the SFDR, meaning it does not promote environmental or social characteristics, nor does it have sustainable investment as its objective. The fund does however apply exclusions for controversial weapons and thermal coal.

Outcome: The meeting provided insight into how the fund approaches ESG and the limits that exist with absolute return strategies due to the short-term nature of the investments. The meeting reaffirmed the ESG categorisation of the fund.

Overview

Quilter Cheviot's discretionary investment management services are for anyone looking for highly personalised wealth management. Our services are for private clients, charities, trustees, and professional partners with straightforward or more complex financial needs.

When we refer to the universe of holdings covered by our responsible investment approach this is what is included.

Activity	Universe
Voting ¹	Discretionary holdings within the global equity and investment trust monitored lists where we have voting rights. Discretionary holdings in UK listed companies which are IM (investment manager) led ideas where we own more than 0.2% or £2 million of the market cap. MPS (Managed Portfolio Service) Building Blocks Sustainable Opportunities Balanced Fund and Sustainable Opportunities Growth Fund ² Quilter Cheviot Global Income and Growth Fund for Charities Quilter Investors Ethical Fund AIM Portfolio Service Quilter Cheviot International Funds Refined Balanced Fund
Engagement	Centrally monitored holdings AIM Portfolio Service holdings UK holdings where we own more than 0.2% or £2 million of the market cap (governance matters only)
ESG integration	Centrally monitored holdings

Where clients wish to vote their holdings in a specific way, we will do so on a reasonable endeavours basis; this applies whether the investment is in the core universe or not, and also to overseas holdings.

As at 31 December 2025, Quilter Cheviot's Assets under Management (AuM) was £32.5 billion. Of this, £30.5 billion is centrally monitored which represents the core of our responsible investment universe.³

We invest directly and indirectly:

Asset class	Direct	Indirect
Equities	Predominantly UK, US and Europe	All geographies
Fixed income - sovereign	Predominantly in the UK	All geographies
Fixed income - corporate	Limited number of issuers	All geographies
Infrastructure		Only via third-party funds
Property	Exposure to the sector through equity holdings	Third-party funds
Private equity		Only via third-party funds
Alternative income, hedge funds and absolute return vehicles		Only via third-party funds
Commodities		Only via third-party funds

¹ As far as reasonably possible given the local regulations regarding share voting. Notably, we do not vote where it results in the blocking of trading positions. We also do not currently vote on discretionary holdings (within the global equity and investment trust monitored lists) where we do not have the power of attorney in place. These markets being Switzerland, Sweden, Belgium, Norway. Other infrequent instances of non-vote placement may include Crest Depositary Interests (CDIs), ADRs or GDRs are held. Ability to vote on these holdings differs on a case-by-case basis.

² Prior to 8 September 2025, these Funds were known as the Climate Assets Balanced Fund and the Climate Assets Growth Fund.

³ The data exclude client cash held across multiple currencies in client portfolios as well as investment manager (IM) led ideas (£0.19 billion) and other (£0.73 billion) which represents a long tail of legacy holdings, in some cases the position will only be held by one client.

RI Reels

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



Disposable Disclosures

Yumna Yusuf is joined by Greg Kearney, Senior Responsible Investment Analyst at Quilter Cheviot, to discuss **disposable disclosures and why they matter for investors**.

Watch time: 6 minutes

[Watch vlog](#)

Responsible Investment at Quilter Cheviot

Our solutions



Active Ownership and ESG Integration - for all discretionary clients

We vote and engage with companies and fund managers on environmental, social and governance (ESG) matters. Integrating ESG considerations into our investment process can have direct and indirect positive outcomes on the investments we make on behalf of our clients.

We take a more targeted approach for clients that want their portfolios to reflect their specific interests or preferences. Teams are responsible for incorporating this into their ongoing analysis of investments.



A Direct Equity Approach* - DPS Applied and Refined Balanced Fund

Through a fund or a discretionary portfolio. Pragmatic multi-asset strategies with an enhanced responsible investment approach. The strategies take a considered approach to selecting investments, avoiding companies with certain excluded characteristics, and focusing on investments with stronger environmental, social and governance (ESG) characteristics. The strategies' philosophy is that these indicate increased likelihood of assets being well-managed, resilient and forward thinking, and this may indicate the potential for above average returns over the long term.



Sustainable Investment - The Sustainable Opportunities Funds and Strategy**

Through an actively managed multi-asset approach, these are suitable for clients who want to support the development of sustainable societies by focusing on investment opportunities in the areas of Clean Energy, Food, Health & Well-Being, Resource Efficiency, and Water. Ethical exclusions are also applied to avoid investments in controversial sectors.



Ethical And Values Oriented Investment - Client Specific

This is incorporated on an individual client basis, informed by their specific ethical preferences and values. These will vary from client to client and will focus on industry groups, industries or individual companies.



Client Preferences

We have identified three client preference categories: Aware, Engaged and Dedicated. For existing clients, we have categorised these in accordance with their current investment strategy, however the adviser/ investment manager reviews this with the client regularly. For example, if the client already invests in Sustainable Opportunities Funds or strategy then this would be aligned to the Dedicated category; similarly, for Positive Change this would align to the Engaged category. The majority of clients will be aligned to the Aware category. The Aware category reflects the Quilter Cheviot firmwide approach to responsible investment which incorporates stewardship (voting and engagement) as well as integration of ESG considerations within the investment process.

* For UK, North American and European equity holdings

** Sustainable Opportunities Balanced Fund and Sustainable Opportunities Growth Fund.



Glossary

Welcome to our comprehensive responsible investment glossary. We're aware the investment world is full of specialised terminology, so hopefully you'll find the following key terms and concepts will enable you to navigate the world of environmental, social, and governance (ESG) more easily.

Active ownership (Stewardship): Investors actively use voting and engagement to influence the management of companies with respect to environmental, social or governance factors. Similar principles are also used by investors in other asset classes such as fixed income, private equity or property. This will also involve active participation in industry and peer group collaborative initiatives.

Annual General Meeting (AGM): An annual general meeting is a requirement for all publicly listed companies. This meeting, held annually, provides an opportunity for shareholders to vote on company decisions either in person or by proxy.

American Depositary Receipts (ADRs): An ADR is a negotiable certificate that evidences an ownership interest in American Depositary Shares. ADRs allow U.S. investors to invest in non-U.S. companies and give non-U.S. companies easier access to the U.S. capital markets.

Source: US Securities and Exchange Commission

Carbon footprint: The total amount of greenhouse gases (including carbon dioxide and methane) that are generated by our actions.

Carbon pricing: Operates by placing a fee on emissions and/or offering an incentive for emitting fewer carbon emissions. This may refer to the rate of a carbon tax, or the price of emissions permits.

Carbon pricing has emerged as a key policy mechanism to curb and mitigate the dangerous impacts of greenhouse gas pollution and drive investments towards

cleaner, more efficient alternatives.

Source: CDP

Circular economy: The model of production and consumption which involves sharing, leasing, reusing, repairing, refurbishing, and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended.

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

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

Climate change: This refers to a change in the state of the climate that can be identified (e.g. by using statistical tests) and that persists for an extended period, typically decades or longer. Climate change may be due to natural internal processes or external forcings such as changes in solar cycles, volcanic eruptions, and persistent anthropogenic (environmental change caused or influenced by people directly or indirectly) changes in the composition of the atmosphere or in land use.

This is one of the three Quilter responsible investment priorities.

Source: Intergovernmental Panel on Climate Change (IPCC)

COP: An acronym for ‘Conference of the Parties’ that can be used to refer to the meetings of countries as part of the United Nations (UN) Framework Convention on Climate Change (UNFCCC).

Disapplication of pre-emption rights: Existing shareholders do not have first refusal on new shares and

therefore their holdings will be diluted.

Engagement: Investors enter into purposeful dialogue with companies, funds, industry bodies, and governments to discuss environmental, social, and governance related issues in order to gain more information or to encourage and achieve change. This may be in collaboration with other investors.

ESG (Environmental, Social, and Governance): The risks and opportunities related to ESG issues.

Environment - relating to the environment.

Examples include resource, water and land use, biodiversity, pollution, atmospheric emissions, climate change, and waste.

Social - relating to the relationship between companies and people, such as their employees, suppliers, customers, and communities. Examples of social issues of interest to investors include health and safety, labour standards, supply-chain management, and consumer protection.

Governance - relating to the governance of an organisation, also referred to as corporate governance. Examples include board composition, executive remuneration, internal controls, and balancing the interests of all stakeholders.

ESG integration: Analysing ESG data to better inform investment decisions.

ESG screening: Ethical and values-oriented investment based on client requirements is incorporated on an individual client basis within the Discretionary Portfolio Service. This is informed by their specific ethical preferences and values and will vary from client to client and will focus on sectors, industries, or individual companies.

Executive director: These are directors who perform managerial duties within a business. They are held to account by the non-executive directors.

Global Depositary Receipt (GDR): A Global Depositary Receipt (GDR) is a negotiable certificate held in a country's local banks representing title to a certain number of foreign shares. Non-domestic companies wishing to list on the local exchange must offer GDRs.

Source: Morningstar

Green bonds: Differentiated from a regular bond by being "labelled" i.e., designated as "green" by the issuer or another entity, whereby a commitment is made to use the proceeds of green bonds (i.e., the principal) in a transparent manner, and exclusively to finance or refinance "green" projects, assets or business activities with an environmental benefit.

Greenhouse gases (GHG): Greenhouse gases (GHGs) are carbon dioxide, methane, nitrous oxide, and ozone. They account for a tiny fraction of the atmosphere, but they are a critical part of the overall atmosphere composition

as they play a significant role in trapping the earth's heat and warming our planet. Since industrialisation, GHG concentrations have rocketed, warming the planet at unprecedented rates. The major cause of the increase in carbon emissions has been the use of fossil fuels in producing energy.

Greenwashing: Greenwashing describes misleading or unsubstantiated claims made by businesses including investment firms about the environmental performance of their products or activities.

Human rights: Human rights are the rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination.

This is one of the three Quilter responsible investment priorities.

Just transition: Just transition is a framework to ensure the substantial benefits of a green economy transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers, or consumers.

Lead independent director: The role of a lead independent director is to serve as an intermediary between the independent directors, chairman and chief executive officer. Where a company maintains a combined Chief Executive Officer (CEO)/chair position, a lead independent director can serve as an independent counterweight to an executive (non-independent) chair.

Long-term incentive plan (LTIP): A type of executive compensation that pays out usually in the form of shares in a company. The reward is linked to performance metrics and the pay-out will be calibrated in line with the achievement of these. The quantum of the pay-out is linked to multiples of salary.

Natural capital: Natural capital is stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, or minerals) that combine to yield a flow of benefits and ecosystem services to society.

This is one of the three Quilter responsible investment priorities.

NEDs (Non-Executive Directors): These are directors who act in an advisory capacity only, however they should hold the executive directors to account. They are not employees of the company; however, they are paid a fee for their services.

Net zero: Achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. Where multiple greenhouse gases are involved, the quantification of net zero emissions depends on

the climate metric chosen to compare emissions of different gases (such as global warming potential, global temperature change potential, and others, as well as the chosen time horizon).

Source: IPCC

Over-boarded: Where non-executive directors are deemed to have a potentially excessive number of non-executive positions and the concern is whether they have sufficient time to contribute to the board of a company.

Paris Agreement on climate change: The Paris Agreement was a global agreement to strengthen the global response to climate change. It was agreed in 2015 that the global temperature rise this century should be kept to well below 2°C above pre-industrial levels and ideally below 1.5°C.

Power of Attorney: An instrument used to bestow authority to act on someone's behalf.

Pre-emption rights: These give shareholders first refusal when a company is issuing shares.

Premium listing: This was previously known as a primary listing for the London Stock Exchange. A company with a premium listing is expected to meet the UK's highest standards of regulation and corporate governance.

Principles of Responsible Investment (PRI): The world's leading voluntary initiative on responsible investment. Launched in 2006 it now has thousands of investor signatories globally who commit to adopt six principles for responsible investment and report against these annually. Although voluntary and investor-led the PRI is supported by the United Nations.

Proxy voting: Where a shareholder delegates their voting rights to be exercised on their behalf. Often voting rights are delegated to investment managers who exercise votes on investors' behalf. Votes are used to express shareholder opinions to company management.

Responsible investment: A strategy and practice to incorporate ESG factors in investment decisions and active ownership.

Source: PRI

Restricted share plan (RSUs): Some companies (and indeed investors) prefer the use of these plans as opposed to LTIPs (see above). The idea is that this type of plan encourages long-term behaviours and does not have the same use of targets that you would see within an LTIP. Therefore, it is expected that companies which adopt such an approach award a lower amount than would be seen under an LTIP which has a variable structure dependent on performance outcomes.

Share blocking: This refers to a rule prohibiting shareowners from trading or loaning shares that they intend to vote for some period of time leading up to, and often following, the company meeting date.

Short-term incentive plan (STIP): A type of executive compensation scheme that seeks to align a proportion of overall executive pay with a company's short-term strategy. STI have a performance year of one year or less and are typically paid in cash but may also be paid in shares.

SID (Senior Independent Director): The SID position is taken by an independent NED. The SID often plays a critical role in ensuring communication channels are open between the board and shareholders.

Stranded assets: Stranded assets describe the assets on corporate balance sheets that could rapidly lose their value because of forced write-offs. An example of this would be fossil fuel reserves remain unburned.

Stewardship: The responsible allocation, management, and oversight of capital to create long-term value for investors and beneficiaries leading to sustainable benefits for the economy, the environment, and society.

Source: Financial Reporting Council (FRC)

Sustainability focused investment: Sustainability-focused investment is an investment approach that selects and includes investments on the basis they fulfil certain sustainability criteria and/ or deliver on specific and measurable sustainability outcomes. Investments are selected based upon the sustainable solutions that they provide, such as what a company produces or the services it delivers. Consideration is often also given to how the company or asset delivers those products and services. There are different methods for assessing the sustainability characteristics of an investment, many of which reference an established framework such as the UN Sustainable Development Goals.

Task Force on Climate-related Financial Disclosures (TCFD): The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information.

Tender – bid waiver: This is the right to waive the requirement to make a general offer under Rule 9 of the Takeover Code, resulting in a request to procure a good or service to take place without public bidding.

The Shareholder Rights Directive II (SRD II): Establishes rules promoting the exercise of shareholder rights at general meetings of companies with registered offices in the EU and the shares of which are admitted to trading on a regulated market in the EU. The 2017 revision (Directive (EU) 2017/828) aims to encourage long-term shareholder engagement to ensure that decisions are made for the long-term stability of a company and take into account environmental and social issues. A notable requirement within this is for asset managers to report on their voting activity and shareholder engagement on an annual basis.

Source: EU Directive

Task Force on Nature-related Financial Disclosures

(TNFD): TNFD was formed to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature related risks. The ultimate aim is to support a shift in global financial flows away from nature-negative outcomes and towards nature-positive outcomes.

Total shareholder return (TSR): Is a measure of the performance of a company's shares; it combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.

UN Sustainable Development Goals (SDGs): The 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 UN Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth - all while tackling climate change and working to preserve our oceans and forests.

Source: United Nations

Voting Rights: Shares in listed companies typically come with specific voting rights which can be exercised at the company's annual general meeting or extraordinary meetings. They can be used as a means of expressing the opinion of the shareholder about how the company is being managed. This is also referred to as proxy voting when voting rights are delegated, for example to investment managers who exercise voting rights on an investor's behalf.

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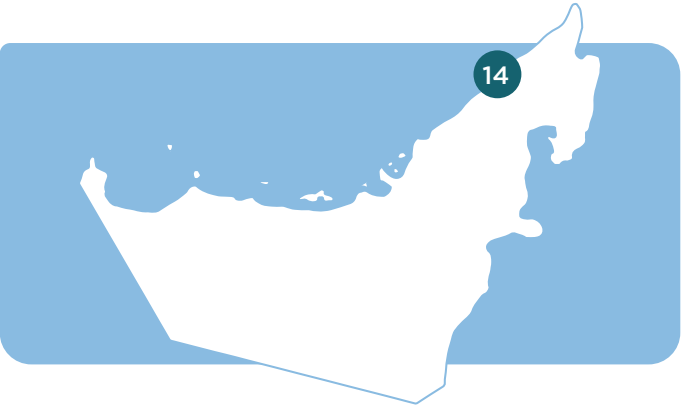
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