Quilter

Stewardship Code Report 2022

We have structured this report to link directly to the relevant principles; therefore, for each section we have identified the principles to which this is linked and listed these accordingly.

The Stewardship Code has twelve principles for asset owners and asset managers:

Purpose and governance
1 Purpose, strategy and culture
2 Governance, resources and incentives
3 Conflicts of interest
4 Promoting well-functioning markets
5 Review and assurance

Investment approach
6 Client and beneficiary needs
7 Stewardship, investment and ESG integration
8 Monitoring managers and service providers

Engagement
9 Engagement
10 Collaboration
11 Escalation

Exercising rights and responsibilities
12 Exercising rights and responsibilities

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Introduction from Steven Levin

Our purpose is to create prosperity for the generations of today and tomorrow. To do this, we must strive to create a sustainable business, that acts and invests responsibly. That is why being a responsible wealth manager is one of the pillars of our Group strategy.

The financial services industry is in a unique position to help ensure we address the key issues facing our society today. We have a duty to invest the money we are trusted with responsibly and to ensure we act responsibly as a business.

It is our purpose is to create prosperity for the generations of today and tomorrow. It is this which drives our ambition to be a responsible wealth manager, an ambition which sits as one of the four pillars of our strategy. Our responsible wealth management strategy seeks to guide action both in terms of how we invest and how we act.

We believe responsible investment is an important part of us delivering for our customers. Within our investment businesses we continue to develop our stewardship approach through engagement, voting and the integration of environmental, social and governance ("ESG"[1]) factors into our investment process, as well as developing solutions and products to meet our customers' requirements. We do this because we believe this additional information and engagement allows us to better identify risks and opportunities, thereby informing our ability to deliver long-term sustainable returns. Quilter advisers and the investment managers within Quilter Cheviot integrate a client's responsible investment preferences within the advice process they follow, enabling our customers to consider these preferences alongside risk and desired investment returns. This enables our customers to invest in line with their values and needs.

We believe acting responsibly is critical if we are to earn the trust of our customers and colleagues and our approach to responsible business seeks to consider a number of key areas with this in mind. We have a strong focus on creating a culture which is inclusive and recognise that we, like many in financial services, have more to do to ensure our colleague population is reflective of our society today. We also continue to consider the impact we have on the climate and want to contribute towards the creation of a more sustainable world. We remain proud of the impact our charitable foundation, the Quilter Foundation, has had since its launch in 2018, with over 57,000 young people supported to date.

Steven Levin

Steven Levin,
Chief Executive Officer

[1] See the glossary for an explanation of key terms used in this report.

An overview of Quilter and our governance framework

Stewardship[2] is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. From our purpose to our governance framework, we aim to enable comprehensive and effective active ownership practices.

1. Our purpose and beliefs 1

Our business

Quilter is a leading UK-centric wealth management business and is listed on the London Stock Exchange and the Johannesburg Stock Exchange. Quilter plc is a holding company containing a number of companies (referred collectively to as "the Group"[3]).

We have an adviser and customer offering spanning financial advice, investment platforms, multi-asset investment solutions and discretionary fund management.

The business is comprised of two segments: Affluent and High Net Worth.

Our purpose

Our purpose is to help create prosperity for the generations of today and tomorrow. We strive to do this through supporting long-term advice-based relationships, delivering good investment management performance while maintaining consistently high-quality customer service.

Our approach to stewardship

Quilter recognises stewardship as a fundamental component of how we manage our customers' assets and we fully support the UK Stewardship Code 2020 ("the Code" [4]). We were one of the first wave of signatories to the Code. This report sets out how we applied the Code's principles for the financial year ended 31 December 2022.

Stewardship plays an important role in our approach to responsibly managing ESG-related risks and opportunities. As a responsible investor, Quilter is committed to our role as a steward of our customers' assets to protect and enhance long-term returns. This encompasses our engagement with investee companies and funds by considering ESG factors which could impact investor returns. We believe that for the majority of our strategies an approach of engagement rather than divestment is the most appropriate action to take. As an example, taking an approach of simply divesting from holdings with a higher carbon intensity could result in these subsequently being held by investors who do not place any importance on transitioning to a lower-carbon economy. In such a scenario, those investments will not have an incentive to change their behaviour, and this could impede a transition to a lower-carbon economy. Additionally, there is the paradox that some companies that have high carbon intensity are focused on developing solutions for a lower-carbon world.

Quilter has an overarching responsible investment philosophy which applies across the Group and covers both our Affluent and High Net Worth segments. The Code's principles are particularly applicable to our two investment management businesses, Quilter Cheviot, which sits within our High Net Worth segment, and Quilter Investors, within our Affluent segment. Within the Affluent segment, the Code's principles are applicable to investment management activities carried out in relation to our WealthSelect Managed Portfolio Service ("MPS"[5]) available to customers on our platform.

Therefore, the scope of this report primarily relates to these two investment management businesses and to investment management activities carried out by our platform business in relation to our WealthSelect MPS. As at 31 December 2022, Quilter Cheviot managed £25.5 billion; and Quilter Investors managed £24.9bn on behalf of the Affluent division. The total assets under management ("AuM"[6]) across all the WealthSelect portfolios was £10.5 billion on 31 December 2022 and this consists of AuM managed by Quilter Investors within its sub-advised funds as well as the AuM of third-party funds.

Affluent segment			High Net Worth segment	
Quilter Financial Planning	**Quilter Investors**	**Quilter Investment Platform**	**Quilter Private Client Advisers**	**Quilter Cheviot**
supports over 1,300 appointed firms in the UK. Advisers partner with us to help them run and grow their business. Quilter Financial Advisers helps customers across the UK with all their financial planning needs.	our fund management business provides advisers and their customers with multi-asset investment solutions to meet their needs.	enables financial advisers to deliver the very best service to customers and their families, to help them achieve their financial goals. We offer a comprehensive range of products and investments through our award-winning online investment platform.	specialises in helping customers with complex financial needs.	our discretionary investment manager which offers bespoke portfolio management services to around 40,000 customers.

[2, 3, 4, 5] See the glossary for an explanation of key terms used in this report.

Both segments invest significant assets in funds. For our Affluent segment this represents almost the entirety of AuM and for our High Net Worth segment, where activities are carried out by Quilter Cheviot, this represents around 60% of AuM. The fund research team works across both businesses and in general there is a high degree of consistency in approach across both. Within this, Quilter Investors runs a significant number of funds for which the day-to-day investment is delegated to sub-advisers. Additionally, Quilter Cheviot owns direct holdings in equities and fixed income.

For the purpose of this report, we distinguish:

Funds – Quilter Cheviot and Quilter Investors and WealthSelect MPS

Direct equity and fixed income – Quilter Cheviot

We provide a number of strategies for customers who have specific responsible investment requirements. These strategies all build on our foundation of stewardship.

In 2022, we launched the following strategies with responsible or sustainable investment objectives:

A direct equity approach* – *DPS Focused*

Within our discretionary portfolio services we have created the DPS Focused strategies which harness Quilter Cheviot's research and responsible investment process, as well as data from external providers, to implement ESG factor screening on a positive and negative basis to ensure more emphasis is placed on ESG risks beyond the firm-wide approach to active ownership and ESG integration[7].

*For UK, US and European equity holdings.

Climate Assets Funds

The Quilter Cheviot Climate Assets Balanced Fund was launched over ten years ago. This fund excludes fossil fuels and invests on a sustainable thematic basis. In 2022, we launched the Climate Assets Growth Fund.

WealthSelect Responsible and Sustainable Portfolios

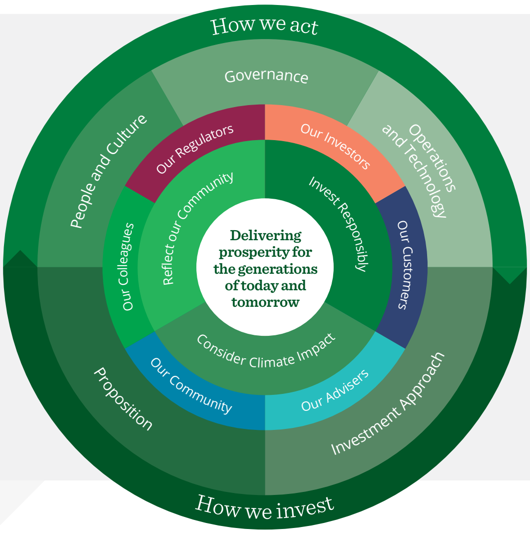
In March 2022, the new WealthSelect Responsible and Sustainable portfolios were launched, complementing the existing managed portfolio services available to customers on our platform:

- the 'Responsible' range of managed portfolios invests with managers that we identify as leaders in ESG integration and the management of ESG factors, including climate-related risks and opportunities. At least 50% of the portfolios' assets are in funds that pursue explicit environmental and/or social targets or characteristics; and
- the 'Sustainable' range of portfolios invests a substantial portion of its assets in funds that target a broad range of sustainable outcomes, including climate-related outcomes.

Timber Equity Fund

In September 2022, the Quilter Investors Timber Equity Fund was launched by Quilter Investors. This has an objective to invest in companies which support sustainable forestry and timber practices.

Being a responsible wealth manager



One of our four strategic priorities is to become a responsible wealth manager. This means acting and investing, for our customers, advisers, community, regulators and investors. In 2022, the Responsible Wealth Management strategy was refocused to align under three core themes of activity: investing responsibly, reflecting our community and considering climate impact.

Invest responsibly

The United Nations-backed Principles for Responsible Investment ("UN PRI"[8]) defines responsible investment[9] as 'a strategy and practice to incorporate environmental, social and governance ("ESG") factors into investment decisions and exercise active ownership'.

[6,7,8,9] See the glossary for an explanation of key terms used in this report.

We believe that incorporating ESG data into investment decisions and exercising active ownership helps to mitigate risk and identify potential opportunities thereby contributing towards the generation of long-term sustainable returns. That is why we are in the process of integrating responsible investment practices into the areas of the business where we actively manage assets on behalf of our customers. This includes iteratively improving the data and technology we provide to our investment professionals and broadening the impact we have through stewardship.

We believe customers should have the information and choices available to enable them to invest in line with their values and needs. That is why we strive to understand our customers' responsible investment preferences and provide them with the option to invest in a solution or service which has a specific responsible investment objective. In 2022, we made tools and training available to our advisers and investment managers in Quilter Cheviot so that they are able to understand a customer's responsible investment preferences and select a solution which aligns to these. We have delivered new investment strategies and portfolios in recent years which have responsible investment objectives, with some key new offerings delivered in 2022. We will aim to continue to evaluate our proposition against our customers' responsible investment preferences and in 2023 will need to do so in line with the next phase of one of our UK regulator's, the Financial Conduct Authority's ("FCA"[10]), Sustainability Disclosure Requirements ("SDR"[11]) regime.

Consider climate impact

Our customers want the best for their families and future generations. Colleagues believe in the threat climate change poses; they want us to play our part to help tackle it. We will seek to play our part in the global effort to create a more sustainable world for future generations. More information on our approach to climate action can be found in Section 5 of this report.

Reflect our community

We believe that having an inclusive culture that embraces diversity helps us better understand the evolving needs of our customers, and therefore improves decision making for them and our business.

We are making changes to our internal practices to enable us to attract and retain a diverse colleague community under the leadership of our Head of Inclusion and Diversity. We want to invest in initiatives designed to make our services more accessible to a broader range of customers. Quilter Cheviot's Women in Investing Hub is an example of this.

We want all of our colleagues to remain focused on the customers and advisers they serve and connected to the community they operate within. That is why we chose to establish a charitable foundation when we listed back in 2018. The Quilter Foundation aims to break down the barriers to prosperity for young people and has supported over 57,000 young people since its launch.

Gemma Woodward, Head of Responsible Investment, High Net Worth.

"At Quilter Cheviot and Quilter Private Client Advisers, we have a duty to make sure that we are considering environmental, social and governance issues throughout our investment process and through our engagement with the companies we invest in on behalf of our customers. We believe that being a responsible investor is an important element in working towards a sustainable future for the next generation. As a business that tailors its services to the specific needs of our customers, we strive to meet their responsible investment objectives."

Responsible heritage – why invest responsibly?

With a heritage dating back to 1771, we understand the importance of taking a long-term view and investing for future generations. As a responsible investor, Quilter Cheviot is committed to its role as a steward of customers' assets to protect and enhance long-term returns. This encompasses our engagement with investee companies, through proxy voting and face-to-face dialogue, as well as considering ESG factors which could impact shareholder returns.

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

- **A more holistic approach:** integrating ESG information into the investment process can help to mitigate risks and identify opportunities;
- **The double bottom line:** in addition to potentially enhancing long-term returns, we believe taking these factors into account will benefit other stakeholders, creating environmental and societal value, not just economic gains;
- **Policy drivers:** there are multiple regulatory developments progressing the case for implementing responsible investment and requiring immediate action. These include the Task Force on Climate-related Financial Disclosures ("TCFD"[12]), proposed new UK regulation Sustainability Disclosure Requirements and the 2020 UK Stewardship Code; and
- **Supporting customer demand:** public awareness of ESG issues and customer demand for responsible investment solutions is growing. We implement a firm-level responsible investment process that covers all discretionary holdings but can take a more targeted approach for customers who want their portfolios to reflect their specific interests or preferences.

[10,11] See the glossary for an explanation of key terms used in this report.

Our beliefs

Responsible investment is an umbrella term for different investment approaches: our role is to enable customers to pick the right approach for them, within the appropriate risk profile.

- There is no such thing as an ESG fund or an ESG company: all will take different approaches so cannot be directly compared.
- As a responsible investor, the main pillars of our approach are: to analyse ESG data to better inform investment decisions, and to proactively engage with the companies and funds we hold on behalf of our customers (active ownership).
- In our role as a steward of our customers' assets, we protect and enhance long-term returns through responsible investment.

Marisol Hernandez, Head of Responsible Investment, Affluent.

"Within our Affluent segment, our aim is to ensure to our customers and advisers that we are taking ESG factors into consideration when making our investment decisions. We take a pragmatic approach, as responsible investment practices evolve, we are updating and improving our stewardship programme. We consider this a critical part of generating long-term, risk-adjusted and sustainable returns for our investors."

Within our Affluent segment, Quilter Investors is an investment management business within the Group and is the trading name of Quilter Investors Limited and Quilter Investors Portfolio Management Limited. References to 'Quilter Investors' throughout this document can mean either or both of these companies. Quilter Investors is a multi-asset investment business; expertly designing and managing multi-asset solutions to help investors prosper for the long term.

Additionally, we operate a range of sub-advised single strategy funds where we have outsourced the investment management to specialist third-party asset managers, our 'Sub-Advisers'. As a young and dynamic business, we are focused on how the solutions we offer best meet the changing needs of investors in a rapidly evolving investment landscape and are well placed to ensure responsible investment principles are embedded in our business.

We believe that incorporating ESG considerations should sit at the heart of the investment process. We have increasingly found that our customers expect us to invest responsibly and, of course, our regulators expect us to put ESG considerations into our investment process and the way we operate our business. We also believe putting ESG principles in place is vital to fulfilling our duties as long-term stewards of customer assets and that failing to manage ESG considerations and climate-related issues appropriately could negatively impact on shareholder value over the longer term.

The following principles underpin our approach to responsible investment:

- Good corporate governance is central to long-term investing and a well-functioning investment market. We are long-term investors and have a duty to be responsible stewards of our investors' assets. As such we consider strong corporate governance to be an important factor when allocating capital to Managers;
- ESG considerations should be embedded throughout the entire business. We are working to ensure that ESG considerations and our responsible investment approach are meaningfully incorporated and reflected throughout our entire business and not just in activities that are directly part of the investment process. This is also something we look for in the Managers in which we invest and those we appoint to manage funds for us;
- ESG considerations impact the whole investment process. We believe ESG considerations can have a role across the investment process from selecting Managers and portfolio construction through to ongoing monitoring;
- Climate change is a particularly important factor to consider in investing. We place particular importance on climate change in how we think about investment and recognise both the impact that climate-related risks can have on invest returns, as well as the role investment plays in the transition to a low carbon economy. We are working to prioritise climate-related factors more meaningfully in everything we do;
- A fund-of-funds approach to ESG integration involves assessment at the overall portfolio level as well as across the underlying funds. As a result, we seek to assess Managers individually on their integration of ESG factors in addition to looking at the overall ESG-related exposures and characteristics of our portfolios;
- Philosophy, process, people and portfolio. When selecting Managers, we look at whether responsible investment is part of their investment philosophy; whether and how ESG considerations are integrated throughout the investment process; and the investment team's experience and understanding of responsible investment, as well as available resources for implementation. This is in addition to understanding exactly what the Manager holds within the strategy itself;

[12] See the glossary for an explanation of key terms used in this report.

- Differing approaches to ESG integration may be equally appropriate. Though we have clear expectations and requirements that we apply to our Managers, we are mindful that differing approaches to ESG integration can be equally valid depending on asset class, investment style, manager size or investment geography and we adapt our expectations accordingly. This is particularly relevant when considering ESG integration in passive investing; and
- Transparency and collaboration. As far as possible, we expect Managers to be fully transparent with us so that we can assess their investment capabilities as well as form a view on other important factors such as corporate culture, diversity, equality and inclusion, remuneration, training and succession planning.

2. What we offer our customers 1

Our segments

Our two segments offer slightly different core propositions. Our Affluent segment serves a greater number of customers and is a single-expert proposition: customers have a single point of contact – either one of our advisers or their own – plus a more unitised investment portfolio approach. High net worth customers value a more bespoke discretionary-managed proposition.

High Net Worth

£250,000+ of investable assets

Affluent

£50 – £500,000 of investable assets

Quilter channel

Our two distribution channels allow for a client to come to us through a Quilter adviser, an independent adviser, or invest directly.

IFA channel

Quilter platform

Our platforms are available to Quilter advisers and independent advisers, as well as directly via a dedicated customer portal.

Quilter propriety solutions

Third-party solutions

Our customers use our products and services to meet their long-term financial needs and achieve their aspirations. Ensuring customers are at the heart of everything we do is critical to Quilter's long-term success. Maintaining strong relationships built on the delivery of outstanding service and outcomes, a positive reputation and trust are key to the longevity of Quilter's performance. The significant majority of our customers are classified as individual retail customers and we believe we have a duty to represent their interests, acting as a long-term steward of their assets.

Looking specifically at our two investment businesses, Quilter Cheviot and Quilter Investors.

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<tr><th>Quilter Cheviot</th><th>Quilter Investors</th></tr>
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Within our High Net Worth segment, Quilter Cheviot is a discretionary investment manager with just under 40,000 customers.
Quilter Cheviot believes in active investment management and provides bespoke investment solutions, designed to deliver superior risk-adjusted returns for longer-term investors. On behalf of our customers, we invest in a wide range of asset classes using a combination of direct investments and third-party managed funds. We believe the best way to meet the challenges of today's dynamic market environment is through a carefully controlled investment framework that combines the skills of a dedicated research team with those of experienced investment managers. Quilter Cheviot's approach can be summarised as follows:

identify future trends;
adapt style to market cycle;
our global outlook informs asset and sector allocations; and
being a responsible investor is part of our process.

On 31 December 2022, Quilter Cheviot had 645 employees. Of these, over 200 are employed in an investment management role (179 investment managers and 26 trainees), and a further 25 employed within our research team.
</td><td>
On 31 December 2022, Quilter Investors had 75 employees, with 19 investment professionals. We specialise in the creation and management of multi-asset investment portfolios. We understand that customers' investment needs can change and evolve over the course of a lifetime, which is why our experienced team has designed a range of portfolios that offer a choice of investment outcomes at different risk, diversification and price levels, delivering an investment solution our customers can trust.
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3. How we have developed our responsible wealth management approach and stewardship over time 1

Over a number of years, we have focused on being a responsible wealth manager and within that our approach to stewardship and responsible investment.

2017

Quilter Cheviot attained Tier 1 signatory status for the Stewardship Code 2012

2019

Quilter became a signatory to the UN PRI

Responsible investment representation on the Quilter Cheviot Investment Oversight Committee

2020

New responsible investment governance structure introduced across Quilter

Responsible investment representation on the Quilter Investors Investment Oversight Committee

Quilter Cheviot created the Responsible Investment Champion Forum

Quilter awarded an A grade for both Stewardship and Strategy & Governance by the UN PRI

2021

Review and realignment of Responsible Wealth Management and Investment governance across Quilter

Quilter became a signatory to the 2020 UK Stewardship Code

Quilter published a statement supporting the goals of the Paris Agreement

2022

Quilter plc published its first disclosures consistent with the TCFD's recommendations and recommended disclosures

Responsible investment preferences introduced within the advice and discretionary investment management businesses

Expanded our WealthSelect MPS, introducing 32 new portfolios, including responsible and sustainable options

Launched Climate Assets Growth Fund in Quilter Cheviot

Quilter retains its status as a signatory of the FRC's UK Stewardship Code

4. Our role in society and inclusion and diversity 1 4

We believe a company's value goes beyond making a profit. By being a responsible wealth manager, we can also play a role in addressing wider societal and environmental issues. This means acting and investing responsibly. In the section below we focus on how Quilter acts responsibly.

Inclusion and diversity

In 2022, we launched our two-year Inclusion and Diversity Action Plan designed to identify and deliver sustainable, long-term change.

The Action Plan was endorsed by the Quilter plc Board and delivery is overseen by the Inclusion and Diversity Executive Steering Committee, chaired by Quilter's Group Chief Executive Officer. Good progress was made in 2022 but we are cognisant of the industry-wide challenge to address inclusion in financial services and realise that significant effort and focus is required over a sustained period. In 2022 our focus was on setting the foundations for success, encouraging data disclosure and education.

Attracting and retaining diverse talent: A thorough review of the recruitment processes was conducted to ensure our talent acquisition practices can enable our Action Plan. In addition, the talent acquisition team, along with the wider human resources function, underwent specialist training to ensure they are appropriately equipped to support delivery of our ambition.

Education and community: The Quilter plc Board, senior leaders and line managers attended informative and inspiring sessions with John Amaechi OBE. Over 300 employees attended in total. To reinforce the importance of inclusion and diversity we also mandated a specific performance objective for managers, offering guidance and setting clear expectations. We launched our new Inclusion and Diversity Forum. The Forum meets quarterly and is designed to create a safe space for dialogue on this topic between colleagues from across our organisation. We also continue to support our employee networks – Together with Pride, Gender Diversity and Cultural Diversity.

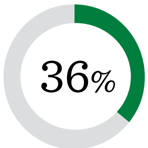
Data disclosure: We recognise the importance of data disclosure, not least in measuring and monitoring progress but also as an indicator of colleagues' levels of psychological safety in sharing personal data with Quilter. In 2022, we focused on creating psychological safety through storytelling and role modelling, and we also expanded our disclosure fields to cover a broader set of diverse characteristics.

Colleague diversity data

We use targets to drive our desired improvement in the diversity of our senior management. In 2022, our target was to achieve 38% female representation and 5% ethnic minority representation in this community. Although gender diversity improved year-on-year, we narrowly underachieved these targets, ending the year with 36% female and 4% ethnic minority representation.

Nonetheless, we remain committed to sustainable change and believe the progress noted above will support this. To further reinforce our long-term goals, we have set out new minimum targets by the end of 2025 to have 40% female representation, which is in line with the FTSE Women Leaders Review Target, and 5% ethnic minority representation by the end of 2023. As we progress toward these medium-term minimum goals, we will continue to set stretch targets for the executive that will drive and support diverse representation across our senior management.

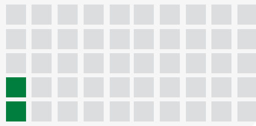
With regards to our pay gap data, in 2022 we have reported a median gender pay gap of 31% and a median bonus gap of 44%, a reduction on 2021. We have also voluntarily included our ethnicity pay gap calculations. Our median ethnicity bonus gap of 35% is lower than 2021.



female representation in our senior leadership

2%

median gender pay gap increase



4%

of the Senior Leadership Community were from a minority ethnic group

Talent management and colleague engagement

The success of our business relies on recruiting and retaining the very best talent. As part of our annual talent and succession review, future skill needs of the organisation are identified in order to highlight any skill gaps within the organisation and plan for how to address these (for example through training, recruitment, apprenticeships etc).

We have continued our partnership with Future Talent, a leading education and learning platform, to provide two flagship leadership development programmes: the Transformational Leadership Programme for experienced leaders and managers looking to step into senior leadership roles, and the Aspiring Manager Transformational Leadership programme, aimed at first-time line managers or those aspiring to take on a management position. We currently have 234 people on our leadership programmes. 6% of people who have participated in the programme have since been promoted, compared with the Quilter average of 2.5%. A new coaching framework was also rolled out over the last year, primarily designed to support new leadership and management teams that were coming together as the business transformed. In addition, colleagues can access training and development, including degree programmes and relevant professional qualifications where relevant to their role and development needs.

We seek the views of our colleagues through the Workday Peakon Employee Voice tool. The survey provides key engagement insights to leaders and managers and informs our people strategy to ensure we are focusing on employee needs whilst also tracking key priorities such as inclusion and diversity. Our engagement score increased to 7.4/10 in 2022, independently rated as 'good' and in the middle range of the finance sector. The Employee Forum represents colleagues across Quilter and meets with senior leaders on a monthly basis to discuss key issues that impact the interests of our people. The views of the Employee Forum, together with views and feedback from our weekly surveys, are taken into account and support management's decision making.

We continue to make the option available to permanent employees to invest in Quilter shares via a save as you earn ("SAYE") scheme and arrange townhalls and provide regular communications to explain our business performance.

HR policies

Our people policies support our aim to create an inclusive culture that embraces diversity and enables our people to thrive. They also reflect relevant employment laws, including the Universal Declaration of Human Rights and International Labor Organization Declaration on Fundamental Principles and Rights at Work. All employees and suppliers providing on site services in the UK are paid no less than the real Living Wage, a voluntary initiative run by the Living Wage Foundation. In October 2021 they published the rates of £11.05 per hour for London and £9.90 per hour outside of London and these were refreshed in September 2022 to £11.95 and £10.90 respectively – the largest percentage increases in recent memory in direct response to the cost of living challenges. Firms have six months to update any employees whose pay is below these minimums to remain accredited, however, we voluntarily made the appropriate changes for affected individuals with immediate effect and ensured all of our starting salaries begin in excess of these amounts. In light of the pressures faced by many of our colleagues due to the rising cost of living, we made a one-off payment in August 2022 to all employees on an full time salary of £50,000 or less.

We promote equal opportunities and ensure that no job applicant or colleague is subject to discrimination or less favourable treatment on the grounds of gender, marital status, nationality, ethnicity, age, sexual orientation, responsibilities for dependants, or physical or mental disability. We are committed to continuing the employment of, and arranging training for, employees who have become disabled while employed by Quilter. We select candidates for interview, career development and promotion based on their skills, qualifications, experience and potential.

A grievance procedure is in place to provide a clear and secure route for employees to raise a complaint or problem about any issue relating to their work, working environment, pay and benefits, working hours or a concern about any other issue affecting their employment. In line with our whistleblowing policy, colleagues are required to report knowledge or suspicion of malpractice or actions that endanger the Group's employees or assets. The Whistleblowing Policy provides employees who raise concerns in good faith with protection from detriment to their future employment opportunities. Concerns can be reported to line managers, our Risk and Compliance functions or via an independent confidential ethics hotline which is available year round. This hotline is also available to suppliers and advisers who work with Quilter.

Quilter Foundation

The Quilter Foundation
The Quilter Foundation is the focal point of Quilter's community investment agenda and aims to break down the barriers to prosperity for young people. The Foundation has supported over 57,000 young people since its launch. Our current charity partners include MyBnk, the Centre for Financial Capability, Carers Trust, School of Hard Knocks, Safe New Futures and Street League. In 2022, we also supported in the Disaster Emergencies Committee appeal for Ukraine and for the floods in Pakistan.

We also offer two main employee benefits associated with community giving:

1. employee match funding scheme; and
2. one day of paid volunteering leave.

These benefits can also be utilised for non-Quilter Foundation activity.

In response to colleague feedback, we launched the Foundation's Local Community Fund in 2022. The aim of the fund was to create a mechanism through which the Foundation could make smaller grants to causes nominated by colleagues or advisers. During the year we granted £120,000 to 17 projects across the British Isles. This included a number of organisations contributing support to those affected by the rising cost of living.

5. Climate action 1

'Considering climate impact' is a key theme within our Responsible Wealth Management strategy, which co-ordinates climate-related activity across a number of strategic initiatives, affecting both our operational activities (how we act) and our investment activities (how we invest on behalf of our customers). We disclose climate-related information, aligned with the Recommendations and the Recommended Disclosures[13] of the TCFD annually alongside our Annual Report.

We disclose our Scope 1[14] and Scope 2[15] greenhouse gas ("GHG"[16]) emissions annually in our Annual Report and in our Group TCFD Report. We have a target to reduce these emissions by 80% by 2030, from a 2020 baseline. Since 2018, we have prioritised the procurement of energy for all our offices from renewable sources. All of the buildings we control the energy contracts for now run on renewable energy tariffs. Our Scope 1 and Scope 2 emissions in 2022 were 46% lower than our 2020 baseline. The primary driver of this was the reduction in our office footprint caused by the sale of our International business. In particular, we have experienced a reduction in our Scope 1 emissions (from 1,132 tCO_2e[17] in 2021 to 377 tCO_2e in 2022) resulting from the replacement of the air conditioning units in our largest office. A leak of refrigerant from the replaced air conditioning units had accounted for 509 tCO_2e in 2021. In 2022, we improved the methodology used to estimate our Scope 3[18] emissions (excluding investments), focusing on improving the estimation of emissions associated with our purchased goods and services and employee commuting in particular.

We manage our exposure to climate-related risks within our investments by considering climate-related issues, alongside wider ESG factors, within our investment and stewardship activities. Climate change is one of three thematic priorities guiding our engagement activity. Within our Affluent segment, the focus of climate-related activity has been within the WealthSelect range.

Example

BHP
Objective: We continued our thematic engagement on climate-transition plans[19] and disclosures with the largest emitters in the voting universe (based on Scope 1 and Scope 2 emissions). The first phase is engagement for information to get a better understanding of the quality of transitions plans and whether companies are taking (or not taking) appropriate measures to align with a future lower-carbon economy. BHP's exposure to metallurgical coal and legacy oil/thermal coal assets makes the decarbonisation trajectory more complicated than peers like Rio Tinto. That said, in terms of target setting, BHP has not been as ambitious and does not appear to have committed as much capital expenditure to the decarbonisation strategy. Plans/expenditure on coal mine extension and expansion do not appear consistent with a net zero[20] trajectory, despite stating this as a goal. Similarly to peers, Scope 3 GHG emissions from Chinese steelmakers present a challenge and there are individual projects ongoing to reduce the carbon intensity of customers. Further engagement may be needed to fully establish the scope and impact of these projects. The specific commitments to reduce emissions in shipping is a welcome level of detail in an area where BHP can exercise more agency. This is a solid framework, but overall the ambition seems to fall behind peers.

Outcome: This was an initial engagement to establish an opinion on transition plans. We would like to see further progress on Scope 3 emissions target setting and alignment of capital expenditure with a net zero trajectory. Ongoing dialogue will be required.

[13] The four recommendations and eleven recommended disclosures set out in the report entitled "Recommendations of the Task Force on Climate-related Financial Disclosures" published in June 2017 by the TCFD.
[14,15,16,17,18,19,20] See the glossary for an explanation of key terms used in this report.

6. The continued impact of Covid-19 1 2 6

The impact of Covid-19 on Quilter lessened considerably in 2022. We have continued with hybrid working and use virtual meetings with customers and advisers.

From a stewardship perspective, a few companies have now put forward remuneration policies which they had previously put on hold owing to the pandemic.

Going forward, we no longer view the continued legacy of Covid-19 to be a long-term theme.

Example

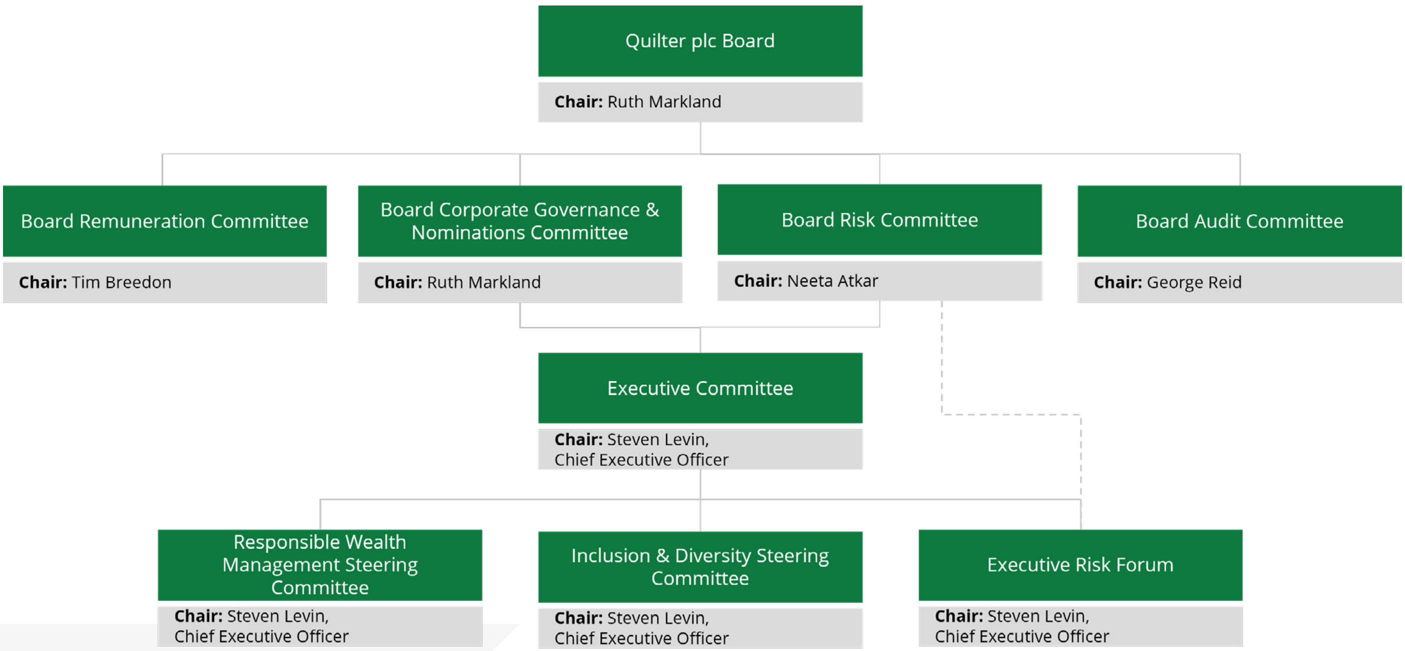
Britvic

Objective: To raise concerns over the amendment to in-flight performance targets within executive remuneration. In the run up to the 2022 Annual General Meeting ("AGM"[21]), the Remuneration Committee exercised discretion to amend the performance targets applicable to a portion of the in-flight awards made under the 2018 Long-Term Incentive Plan ("LTIP"[22]) which were not scheduled to vest. Any amendment to in-flight performance targets is not considered best practice.
We engaged with the company and were comfortable with the board's rationale and use of discretion. In 2020, no short-term bonus was paid and there was no vesting of share options. Given the impact of Covid-19, instead of resetting targets, the Remuneration Committee agreed that 'gateway' measures must be met before deciding on applying any discretion. The company made no use of UK Government support during the pandemic.

Outcome: Based on our conversation, we voted to support management.

7. Our governance framework 2

Our governance structure is in place to facilitate our approach to responsible investment and stewardship across the business. The Quilter Group Chief Executive Officer ("CEO"[23]) is ultimately accountable for Quilter's Responsible Wealth Management strategy.



[21,22,23] See the glossary for an explanation of key terms used in this report.

Committee	Responsible Wealth Management responsibility	2022 activity
Quilter plc Board	The Quilter Board is accountable for the long-term success of the Group. The Board sets the Group's strategic priorities, including those in relation to responsible wealth management.	– Confirmed Quilter's strategy, including the strategic ambition to 'be a responsible wealth manager'. – The Board received reports from its Non-executive Directors with responsibility for workforce engagement.
Board Risk Committee	Assists the Board in its oversight of risks, by reviewing management's recommendations on risk, in particular in relation to the structure and implementation of Quilter's risk framework.	– Held nine scheduled meetings in 2022 to monitor and review the Group's risk profile and the effectiveness of the Group's risk management systems. – Reviewed and approved Quilter's climate change risk appetite statement and underlying measures. – Reviewed and discussed Quilter's annual climate-related scenario analysis exercise. – Received updates on longer-term climate-related risks within emerging risk updates. – Received updates on progress made by the business in delivering increasing levels of mandatory climate-related disclosures across the business. – Considered Quilter's TCFD-aligned disclosures and the supporting evidence.
Board Corporate Governance & Nominations Committee	Ensures the Board has strong and responsible leadership and an appropriate range of skills, knowledge, and experience. Oversees the Responsible Wealth Management framework.	– Oversaw the framework for Quilter's Responsible Wealth Management strategy. – Provided oversight on Quilter's evolving responsible business performance metrics.
Board Audit Committee	Oversees the principles, policies and practices adopted into the preparation of the financial statements of the Group and assesses whether annual financial statements comply with statutory requirements, including TCFD disclosures.	– Considered Quilter's TCFD-aligned disclosures and the verification process in order to support the disclosures made.
Board Remuneration Committee	Assists the Board in its oversight of remuneration, including consideration of ESG-related metrics and targets, which form part of the executive scorecard for reward purposes.	– Recommended to shareholders the new Directors' Remuneration Policy which sets out how the Group's Executive Directors and other executives should be incentivised to drive forward its Responsible Wealth Management Strategy and the metrics that would be used to assess the progress made.
Executive Committee	Supports the CEO in discharging his responsibilities for the management of the Group, including the management of climate-related risks and opportunities. Facilitates the execution of our Responsible Wealth Management strategy.	– Delegated responsibility for climate-related opportunities and delivery of the Responsible Wealth Management strategy to the Responsible Wealth Management Executive Steering Committee. – Delegated responsibility for monitoring and management of climate-related risks to the Executive Risk Forum. – Delegated authority to the WealthSelect Executive Oversight Forum, which approved the launch of the new WealthSelect Responsible and Sustainable ranges in March 2022.
Executive Risk Forum	Assists the CEO in the oversight, challenge, and monitoring of the management of risk and effectiveness of the system of internal control within the Group.	– Met eight times in 2022 to review, manage and monitor all aspects of risk management. – Approved and recommended the climate-related scenario analysis exercise to the Board Risk Committee. – Received an update on progress against climate-related risk appetite measures underlying the Board-approved risk appetite statement.

Committee	Responsible Wealth Management responsibility	2022 activity
Responsible Wealth Management Executive Steering Committee	Provides executive oversight and direction on our Responsible Wealth Management agenda, incorporating both responsible business and responsible investment.	– In early 2022, the scope of the Responsible Investment Executive Steering Committee was expanded to encompass the full Responsible Wealth Management agenda and the name of the Committee was adjusted accordingly. – Met every eight weeks throughout the second half of 2022 to provide executive oversight over the delivery of our Responsible Wealth Management strategy. – Oversaw a programme of work designed to enable the achievement of our ambition to be a responsible wealth manager. This programme of work includes specific activities relating to responsible investment, reducing our environmental impact, leveraging the foundation for community engagement and creating an inclusive culture.
Inclusion & Diversity Steering Committee	The committee is tasked with the successful delivery of the Diversity and Inclusion Strategy for Quilter; including the identification of tangible ways in which Quilter can become a more inclusive and diverse organisation, as well as targets by which to measure this change and hold the organisation to account for delivery.	– Recommended a two-year action plan for approval by the by the Quilter plc Board. – Agreed refreshed targets for gender and ethnicity representation at senior management level.

Quilter has a charitable foundation and its activities are overseen by a Trustee Board. The trustee board membership is made up of key members of Quilter's executive committee and two independents.

Committee	Responsible Wealth Management responsibility	2022 activity
Foundation Trustee Board	Legal responsibility for the Quilter Foundation and accountable to the charity regulatory (the Charity Commission for England and Wales). Trustees oversee the management of the Foundation's assets (including appointment of investment manager), financial management, grant-making, fundraising and engagement and partnership/impact monitoring.	Four meetings in 2022. Key activities and decisions include: – Reviewed and approved Foundation's Grant Making Policy, Reserves Policy and Conflicts of Interest Policy. – Approved refresh of the Trustee Board to include CEO Quilter Financial Planning, Human Resources Director and Head of Inclusion and Diversity. The Board also approved for our new CEO to take over as Chair from the former CEO when he left the business in November. – Approved the launch of our local community fund with an aim of creating a mechanism through which the Foundation could make smaller grants to causes nominated by colleagues and advisers. – Approved the initiation of a process to select a new strategic partner for our employment grant (partner due to be selected in 2023) and approved a year of continuation funding for our three existing strategic partners for employment.

Our investment management businesses' governance framework links directly into Quilter with the CEOs of Quilter Cheviot and Quilter Investors being ultimately responsible for the delivery of our responsible investment activity and both are members of the Responsible Wealth Management Executive Steering Committee. In each business an Investment Oversight Committee oversees the responsible investment activity with the respective Heads of Responsible Investment being members/attendees of these.

Within our Quilter Cheviot business, the responsible investment team meets regularly with the research teams and has representation within the UK and International Stock Selection Committees. In addition, we have a working group that met weekly in 2022 to deliver the operational elements of embedding responsible investment within the customer suitability process which went live in April 2022. The working group is now focused on systems and process upgrades relating to responsible investment preference monitoring.

In 2020 we created an internal forum of responsible investment champions across Quilter Cheviot; these are members of staff (across different functions) with an interest in responsible investment. The forum has two main purposes:

1. to create experts across the business in responsible investment from both an internal and an external perspective; and
2. to generate discussion and ideas about how we best serve our customers' interests in responsible investment.

Within Quilter Investors, responsible investment remains incorporated within the existing governance structure. The Responsible Investment team is formally represented on the two main investment forums: Management Investment Forum ("MIF") and Sub-advised Funds Forum ("SAFF"). The Head of Responsible Investment Affluent reports directly into the Chief Investment Officer at Quilter Investors, who has executive oversight for responsible investment.

Our customers

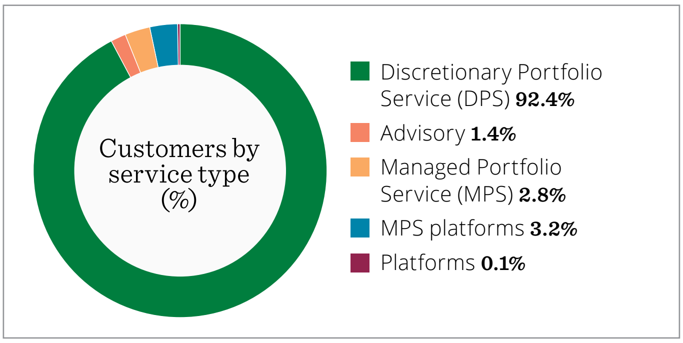
Our role is to act as the steward of our customers' assets. Our customers use our products and services to meet their long-term financial needs and achieve their aspirations. Ensuring customers are at the heart of everything we do is critical to Quilter's long-term success and our strategy is focused on delivering good customer outcomes through whatever channel customers choose to access our services, growing our business segments, and improving efficiency to make Quilter the best version of ourselves that we can be.

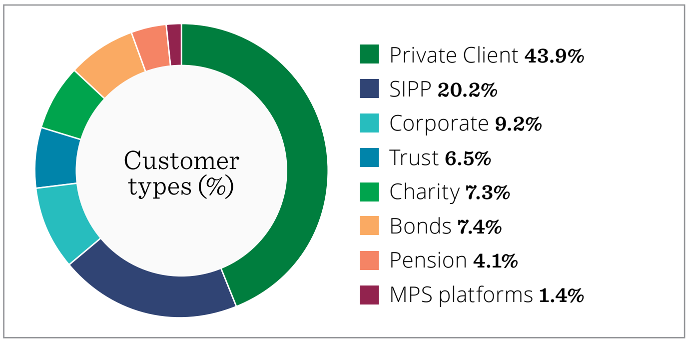
8. Our customer base 1 6

Quilter aims to be the best place to obtain trusted financial advice in the UK. We offer customers financial advice and quality-assured investment choice, through an open and transparent model, with competitive pricing at every part of the value chain. We are committed to operating and investing responsibly, for the long-term benefit of all our stakeholders.

We are long-term investors on behalf of our customers. Our investment teams' focus is on long-term investment ideas rather than adopting a trading mentality. Our customers will have their own specific time horizon for their investments; however, we do not invest in short-term strategies which for this purpose we define as less than three years. The majority of our customers invest on a five-year plus time horizon.

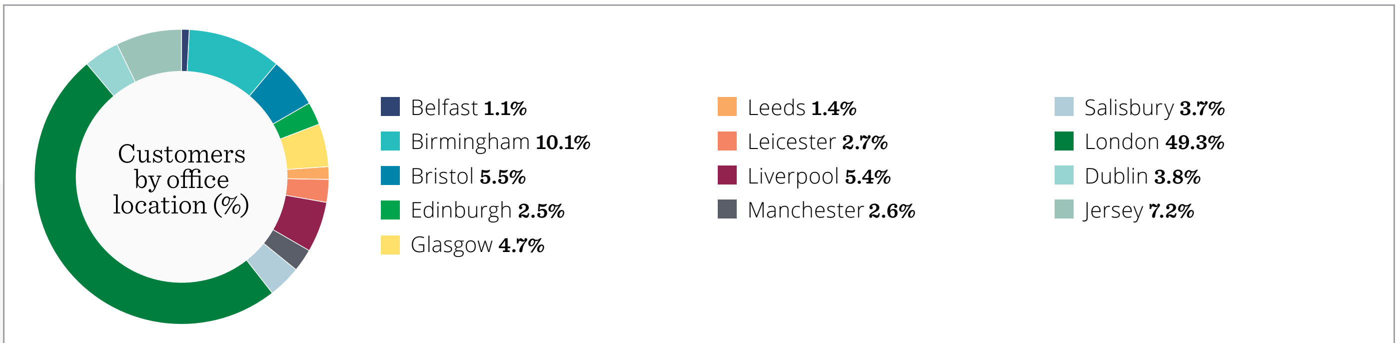
Within our investment businesses, as at the end of December 2022, Quilter Cheviot had nearly 40,000 customers and £25.5 billion in AuM. The splits, shown as a proportion of AuM, by service and customer type are shown below.





Private customers make up the largest customer type grouping, with the vast majority of customers (just over 92%) taking our Discretionary Portfolio Service. 53.5% of our customers are advised, with the remainder being direct customers of Quilter Cheviot.

Quilter Cheviot has offices across the UK, Dublin and Jersey. The split of AuM by geographic office is shown below.

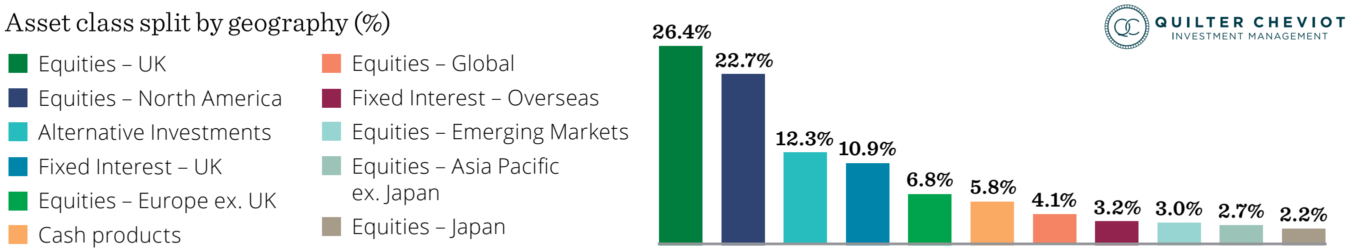


We undertake stewardship on behalf of our discretionary customers through our discretionary and managed portfolio services. Within all service types, customers are able to instruct us to vote on their holdings. We also have a further £2.0 billion in assets under administration within our execution only and advice and dealing services, these customers are also able to instruct their voting.

Quilter Investors managed £24.9bn on behalf of the Affluent division (as at 31 December 2022). The total AuM across all the WealthSelect portfolios was £10.5 billion on 31 December 2022 and this consists of AuM managed by Quilter Investors within its sub-advised funds as well as the AuM of third-party funds invested into by WealthSelect. Quilter Investors' products are available to customers via their financial advisers and across a number of platforms. 67% of the assets managed are held on the Quilter Platform. Quilter Investors does not have a direct relationship with its customers therefore we do not have specific detail on the underlying customers. Our customer base for these solutions can be mostly classified as individual retail customers, serviced via platforms, with long-term investment outlook.

9. Geographic split of our customers' assets 6

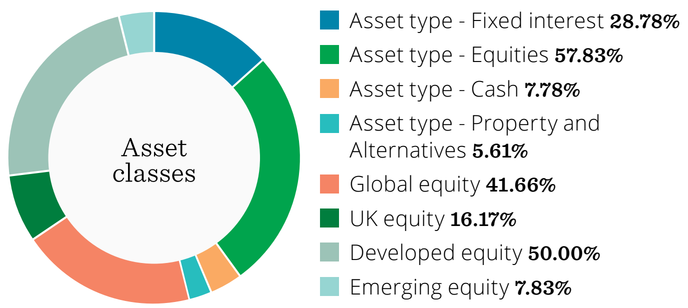
Asset class split by geography (%)



At Quilter Cheviot just under 68% of AuM are in equity holdings – this is via direct holdings as well as through third-party funds. As at 31 December 2022 our fund holdings within our centrally monitored universe amounted to £15.4 billion.

Quilter Investors AuM for different asset classes and geographies is broken down below (as at 31 December 2022):

The overall breakdown between asset classes:



This is unaudited data at end of December 2022

10. Customer, adviser and consumer feedback 1 6

We receive feedback from our customers on an ongoing basis. However, we also use formalised frameworks to ask for their views to help inform our strategic decision making.

We continue to invest effort into the collation of customer feedback and seek to act upon the insights it provides to improve service and ensure our proposition continues to meet customer needs. We continue to monitor our Trustpilot score. As at December 2022, our score stood at 4.2/5, meaning we saw an improvement through the course of the year. In 2022 we linked our pre-existing customer satisfaction surveys generated for customers of our platform and Quilter Private Client Advisers to Trustpilot to enable greater transparency of the feedback we are receiving and continued to work with an external organisation to collate customer satisfaction scores for these two areas of our business. Our customer satisfaction score remained flat on 2021 at 84% and market insight indicates that this was a good outcome given the disruption seen last year due to market conditions. The feedback gained from these sources was made available to a variety of stakeholders across the business and we seek to ensure we act on any areas for improvement which are highlighted.

To broaden our understanding of our customers and target customers further, we continue to run research projects. The most notable example of this in 2022 was the Female Client Survey run by Quilter Cheviot as part of the Women in Investing initiative. The survey aimed to understand the investment experiences of our female clients including what aspects lead them to invest, how they make investment decisions, and how their differing circumstances affect the way they invest. We have released the output of this project externally and have used the insights to inform our proposition.

Example

In a survey of approximately 2,000 of its female clients, Quilter Cheviot found that 53% agreed ESG factors needed to be considered within investment decision making, compared to just 7% who disagreed. Four in ten (41%) had a neutral view on the topic.

Of those that did want to consider ESG factors, the primary reason to do so was to have a positive impact as well as generate financial returns, with nearly two-thirds providing this reason (64%). Wanting to contribute to the global need for sustainable development (59%) and improving the world for future generations (58%) were also popular responses.

Interestingly, more than a third (37%) want to ensure their investments are considering ESG factors as a way of mitigating risk and maximising returns, highlighting that some clients understand that considering ESG factors does not necessarily mean investing sustainably or ethically.

In advance of the implementation of the FCA's Consumer Duty in 2023, in 2022 we initiated a pan-Quilter programme designed to ensure readiness and have a specific workstream focused on customer support. One of the customer groups we have considered as part of this work is those customers who could be considered vulnerable, for whom we have already made various adjustments in recent years to ensure they are appropriately supported. The programme is also implementing a new approach to the testing of customer communications so that we can continue to ensure they are as understandable as possible.

Additionally, as Quilter Cheviot has a direct relationship with its customers either directly or via an adviser, we now include questions around responsible investment to seek customer feedback in a more structured format as part of Quilter Cheviot's customer survey (which is undertaken every two years). Quilter Cheviot's last customer survey was undertaken in 2021 and the main findings in relation to responsible investment from that survey were discussed in last year's Stewardship Code report.

Consumer advocacy

During 2022, we continued to call for the UK Government to protect consumers against the threat of online financial scams. This included campaigning for the online advertising elements of the Online Safety Bill to remain part of the bill and responding to Department for Digital, Culture, Media & Sport on the Online Advertising Programme to make the case that it should align with the Online Safety Bill to help prevent online financial scams advertisements. As part of our work advising NHS employees, we led successful calls for the government to extend the 2020/21 NHS Pension Scheme Pays deadline and the continuation of the extension of the cessation of abatement rules. Both issues helped to ensure healthcare workers were given adequate time to plan their finances and did not face undue tax costs while they were focused on fighting the NHS backlog, as well as ensuring the most experienced and senior doctors and nurses continue to work without being penalised for doing so.

11. External ratings 1 5

External, independent ratings are another way of assessing how effective we are in serving the best interests of our customers.

In 2022, Quilter was awarded Five Star Service Awards in the following categories at the FT Financial Adviser Service Awards:

- 5 Stars in Investments;
- 5 Stars in Pensions and Protection; and
- 5 Stars in Platforms.

Defaqto independently rates both Quilter Cheviot and Quilter Investors:

- Quilter Cheviot achieved a gold rating for DFM Service, 5-star ratings for our bespoke portfolio service as well as our managed portfolio service; and
- Quilter Investors' three Cirilium ranges, the Creation range and the Monthly Income range received a 5-star diamond rating

Additionally, in 2022, AKG gave Quilter Cheviot a Financial Strength rating of B+ (very strong) within the DFM sector category. The Creation range and Ethical fund were rated by RSMR (an independent fund ratings agency). All funds in the Cirilium Passive range achieved a "Premium" rating from Dynamic Planner during 2022.

12. Our external education and training programme 1 6

Quilter's 'There for You' website continues to be developed and includes a large section on responsible investment, and links to support further learning. Given we cater for both advisers and customers, our approach to education and training reflects this.

In 2022, responsible investment experts from around the business participated in and hosted a number of external webinars and events.

Examples include:

- responsible investment explainer videos for advisers and customers;
- "RI Reels", a responsible investment vlog;
- webinars for paraplanners, advisers and charities;
- participated in the TISA ESG Conference;
- webinar following up on COP26;
- participated in an external adviser summit;
- WealthSelect roadshow and Professional Adviser ESG roadshow;
- virtual event on understanding responsible and sustainable investment; and
- provided a series of three modules for advisers on responsible investment, two of which were accredited by the Personal Finance Society ("PFS") and presented at a series of PFS events.

We have also developed an array of materials on our websites, which provide educational content to our various customer bases. This includes videos and information on subjects including climate change, building responsible investment into the advice process, fund governance and ESG opportunities for income investing; as well as providing easy access to documents such as our annual reporting on stewardship and other responsible investment activity, responsible investment guide and policies.

Additionally, we launched a suite of publicly available responsible investment reporting for the new WealthSelect Responsible and WealthSelect Sustainable portfolios.

Other industry events:
We contributed to a number of different panels and discussions hosted by numerous organisations including UKSIF and TISA to exchange views and debate. The focus of a number of these events has been on how we make stewardship activity and responsible investment accessible and understandable to customers.

Investment

Stewardship at Quilter is one of the pillars in our responsible investment approach which sits alongside the integration of ESG factors and screening within our investment process.

In this section we have provided specific examples of engagement. In the majority of cases we have included the name of the company or fund. In certain cases, if we deem that it would be unhelpful in the long term to the ongoing engagement process, we have anonymised the example.

In order to aid the reader in distinguishing Quilter as an investment manager and those firms who manage funds on our behalf, we refer to the latter as Managers.

13. Our philosophy 7 9

Across Quilter, we have adopted the Investment Association's and UN PRI's responsible investment framework which defines responsible investment as:

'A strategy and practice to incorporate environmental, social and governance ("ESG") factors in investment decisions and active ownership'.

Stewardship involves engaging with companies and funds to discuss ESG issues to improve their handling and disclosure of such issues. This may be carried out individually or in collaboration with other investors. It includes voting, either in person or by proxy, which involves formally expressing approval or disapproval through voting on resolutions. Additionally, within Quilter Cheviot we facilitate customer instructed voting, therefore our customers have the ability to exercise their own stewardship.

In our capacity as an investment manager, we act as steward for our customers' assets. Company shares usually carry voting rights and exercising these enables shareholders to express their view and engage with companies to support the creation of wealth, benefitting shareholders, the wider economy and other stakeholders. As a responsible investor we will use voting rights (where appropriate) to further the long-term best interests of our customers and we have established a set of voting principles which guide how we vote. Discretionary customers' holdings held in our nominee name will be voted in accordance with Quilter Cheviot's decision, as the voting of holdings reflects our investment thesis, unless otherwise instructed by a customer. For Quilter Investors, all holdings with voting rights are exercised in accordance with the investment team's decision.

ESG integration is the explicit and systematic inclusion of ESG issues in investment analysis and decisions - so as to better manage risks and improve returns. This is integrated into the investment process and our research teams are responsible for incorporating this into their ongoing analysis of investments.

Embedding ESG factors within our investment decision making is integral to our responsible investment approach[24]. This is not about excluding companies or funds but evaluating their management of ESG issues – there are different approaches depending on whether we are investing directly or via funds.

ESG screening: across Quilter we have a firm-wide restriction on any direct investment into cluster munitions and anti-personnel landmines including within our sub-advised funds, as well as any indirect exposure within active funds that we may hold.

14. Our responsible investment activity across Quilter Cheviot and Quilter Investors 7 9

The investment management businesses work collaboratively to implement and enhance our stewardship and responsible investment processes. There are nuances in how this is delivered given the different end customers and underlying investments.

Quilter Cheviot as a discretionary investment manager, has nearly 6,000 lines of stock held on behalf of our customers, of which a significant portion by number, but not by value, are cherished or legacy holdings which our customers wish to retain. Therefore, the focus of our stewardship activity is on material positions. As an example, our voting universe represents c.95% of the assets where there are voting rights.

Within our equity monitored list we have around 350 companies and within our fund monitored list we have around 300 funds. This represents a significant proportion of our overall AuM and our focus for voting and engagement is on these holdings as well as companies held within our AIM Portfolio Service as well as those listed in the UK where we hold more than 0.2% of the market capitalisation or £2 million.

Quilter Investors mainly invests via funds and the major focus of our direct voting activity is through closed ended funds, such as investment trusts. In addition, our managers are expected to exercise voting rights to vote on our behalf – particularly our sub-advised funds, where we ask for quarterly reporting on how these voting rights have been exercised. Opportunities for engagement are therefore considered largely in these two areas, i.e., with investment trusts or with issuers through our sub-advised managers (who make up the majority of the WealthSelect Managed portfolios). Further, funds with specific sustainability objectives are expected to engage on relevant thematic areas. As a consequence, engagement activity is predominantly undertaken within the WealthSelect ranges.

[24] For Quilter Investors this is solely for WealthSelect Responsible and Sustainable ranges.

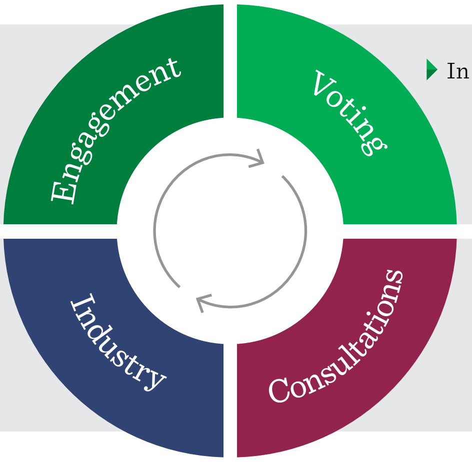
Quilter's approach to stewardship and responsible investment

<table>
<tr><th>Activity</th><th>Quilter Cheviot</th><th>Quilter Investors</th></tr>
<tr><td>Voting</td><td>Discretionary holdings within the equity monitored lists (predominantly in the UK, US and European markets) where we have voting rights including:
• MPS building blocks;
• Climate Assets Funds;
• Quilter Cheviot Global Income and Growth Fund for Charities;
• Quilter Investors Ethical Fund;
• AIM Portfolio Service; and
• Libero Balanced.
This includes our UK, US and European equity and investment trust monitored lists; as well as holdings in the AIM Portfolio Service and UK holdings where we own more than 0.2% or £2 million of the market capitalisation.
Additionally, customers are able to instruct voting on their behalf.</td><td>All investments with voting rights including open and closed ended funds and investment trusts. There are also a minority of listed equity holdings.</td></tr>
<tr><td>Engagement universe</td><td>The equity monitored lists (predominantly in the UK, US and European markets). Funds held on the centrally monitored list.
AIM Portfolio Service holdings.
UK holdings where we own more than 0.2% or £2 million of the market capitalisation.</td><td>Predominantly for the WealthSelect portfolio ranges.</td></tr>
<tr><td>ESG integration</td><td>All holdings within the centrally monitored universe of equities, funds and fixed income.</td><td>Incorporated for WealthSelect portfolios.</td></tr>
<tr><td rowspan="2">Screening</td><td>Ethical and values-oriented investment based on customer requirements is incorporated on an individual customer basis, informed by their specific ethical preferences and values within Quilter Cheviot's discretionary portfolio service. These will vary from customer to customer and will focus on sectors, industries or individual companies.</td><td></td></tr>
<tr><td colspan="2">Specific negative screens may also be applied for funds that have clear ESG or sustainable objectives, for example the Quilter Investors Ethical Equity Fund, Quilter Investors Timber Fund and the Quilter Cheviot Climate Assets Funds. Typically, these could relate to activities that we feel are unsustainable, such as tobacco production, and which may either be excluded completely or subject to tolerance bands, such as revenue contribution, depending on the strategy. We also monitor/review certain strategies for exposure to controversial activities including, but not limited to: thermal coal; oil sands; military contracting and armaments; and gambling and tobacco production[25].</td></tr>
</table>

[25] See the glossary for an explanation of key terms used in this report.

Active ownership has a multi-faceted approach:

- Collaborations
- Thematic
- Business as usual
- Investor statements



- In conjunction with the relevant analyst/portfolio manager*
- Informed by our Proxy Advisor but decision is ours

- Active members of industry body committees and working groups

- Quilter response to FCA consultations

*Quilter Cheviot = analyst; Quilter Investors = portfolio manager

15. Our thematic priorities 4 7 9

Our thematic priorities across Quilter are shown below. There are key megatrends that we believe are material to longer-term sustainable investment returns for our customers and have the potential to have a significant impact on other stakeholders and the planet as a whole. As such, these are increasingly considered as part of the ESG integration and stewardship work undertaken by Quilter Cheviot and, for applicable strategies, by Quilter Investors[26].

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

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

UN Sustainable Development Goal ("UN SDG"[27]) alignment

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

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

UN SDG alignment

Natural capital[28] – natural capital can be defined as the stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils and minerals) that combine to yield a flow of benefits and ecosystem services to society. (Task Force on Nature-related Financial Disclosures).

Through our stewardship process we commit to engage companies operating, and funds investing in, high impact sectors to better understand how they are managing and mitigating risks related to deforestation, water usage and biodiversity. We commit to engage to improve company and fund performance where not meeting the standards expected by us.

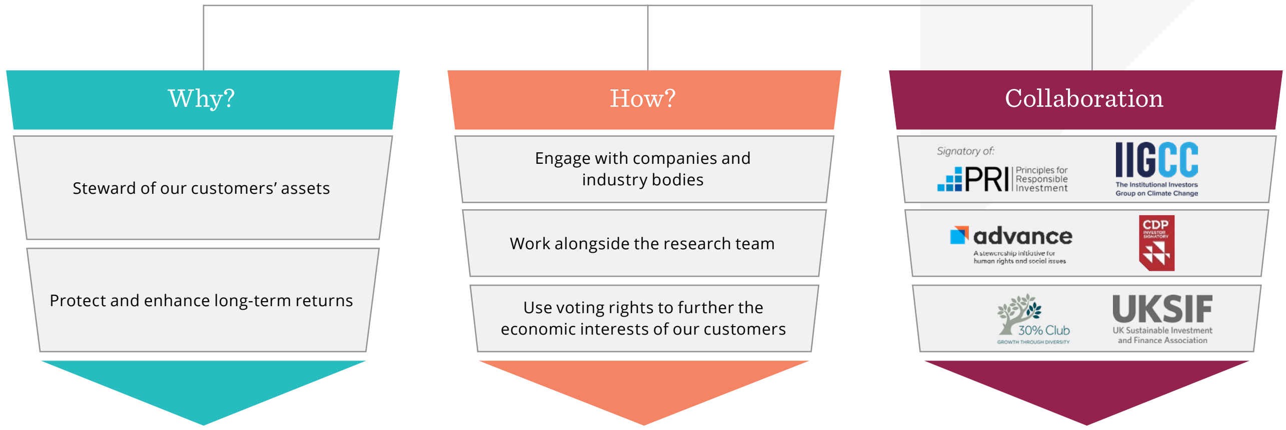
[26] In particular for Wealth Select portfolio ranges.
[27] See the glossary for an explanation of key terms used in this report.
[28] This was previously restricted just to water, however we have extended this to a wider remit including water under the umbrella of natural capital.

UN SDG alignment

We have included examples of engagements which were informed by these themes later in the document (sections 16 and 18).

We also participated in collaborative engagements focused on these themes which are outlined in section 20.

16. Stewardship and direct equities 7 9



Direct equity engagement is undertaken by our Quilter Cheviot business. Here, engagement is the key component of our stewardship activity and is our primary focus, it informs our voting decisions and feeds into our investment research process. By engagement, we mean speaking directly to boards of companies and about the issues that concern us and understanding their general approach to material ESG issues.

Any engagement includes the relevant research analyst. Our central teams of analysts provide a dedicated investment research resource with no conflicting commitments; the research teams monitor investee companies and funds on an ongoing basis and regularly meet company management. It is imperative that ESG considerations sit within the investment decision-making process and are not outside it and therefore engagement is always undertaken in conjunction with the relevant analyst.

Our engagement activity for direct equities falls into three buckets:

- Reactive
- Proactive
- Business as usual

Reactive – to an AGM/general meeting resolution or controversial event, as well as follow-ups to previous engagements

Example

Electronic Arts

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

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

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

Example

Halma – follow up to 2021 engagement

To discuss concerns related to appropriate shareholder outreach following the significant shareholder dissent lodged against the 2021 remuneration policy. We had supported the proposed changes, however, there were concerns raised by our proxy adviser that there had been insufficient shareholder engagement by the company. Our proxy adviser recommended voting against the remuneration report and the re-election of the remuneration committee Chair at the 2022 AGM. The company's remuneration policy received significant dissent at the 2021 AGM (c.39% against) in light of concerns around the significant increases to both fixed and variable pay. We contacted the company to provide further information, and we believe reasonable efforts have been made to engage with major shareholders since the 2021 AGM. The company ran two shareholder consultation processes, writing to the largest shareholders (representing circa 25% to 30% of shareholder capital).

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

Example

Jet2 – follow up to 2021 engagement

Objective: To discuss ongoing concerns around board independence and remuneration.

We engaged with the company in 2021 regarding independence concerns and voted against the Non-executive Director who is on the audit committee and who we deem to be non-independent. This issue has not been addressed. One of the Non-executive Directors, who is regarded as non-independent owing to his length of tenure on the board, sits on the remuneration committee. Additionally, there is insufficient independent representation on the board, which has also hired executive search firm Korn Ferry to appoint two new independent members ahead of the next AGM. However, there is no discernible plan to replace the non-independent Non-executive Director. As this is against UK best practice recommendations for a company of this size, we voted against his re-election. The current remuneration policy allows options granted under the Share Reward Plan to be paid out subject solely to continued employment. We engaged with the company and the Chair of the remuneration committee confirmed that a new policy, which will include performance conditions, will be presented at the next AGM. The current position relates to awards that were made during Covid-19 as it was felt that it would be difficult to incorporate meaningful performance metrics.

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

Proactive – may include thematic engagement; where we have conducted research on a specific topic and look to engage with the most material actors

These themes influence the work we undertake within our investment management businesses as well as our priorities as Quilter.

Climate change

What does a good climate transition plan look like?

In the last quarter of 2021 we began a thematic engagement with some of the largest carbon emitters within portfolio holdings with the aim of better understanding corporate climate strategies, and where lacking, encouraging alignment with best practice. This is an ongoing dialogue that will require systematic monitoring to ensure companies walk the talk. We concluded the first phase of this engagement in the first quarter of 2022. This has enabled us to establish what the key tenets of a good climate transition plan looks like:

1. A focus on the next ten years with specific short and medium-term targets (2050 goals are welcome, but action over the next decade is critical).
2. A reduction in absolute emissions. This includes Scope 3 metrics and is largely absent of carbon offsets. Carbon intensity measures can be supplemental but should not be the main target.
3. A target reduction aligned with 1.5 degrees warming limit pathway. This is the crux of a net zero commitment. Some companies have declared 2 degrees alignment or carbon neutrality, this is not the same thing.
4. Actions that demonstrate alignment of capital expenditure with transition targets – and consideration of Paris Climate goals into significant capital expenditure projects.
5. Limited use of carbon offsets. Residual emissions may be abated with offsets and carbon capture and storage, but use should be specific with clear end dates. This should not be a structural element of reduction targets. There isn't enough land to plant our way to net zero and a lot of the existing carbon capture technologies exist at a level that is not scalable.
6. The linking of executive remuneration to internal carbon reduction targets to help integrate transition planning into company strategy.
7. A reassessment of participation in industry associations that lobby governments to soften GHG emissions reduction legislation.
8. A willingness to take ownership of Scope 3 emissions and building these into carbon reduction targets.

We will continue to monitor and engage with these, and all our holdings on their climate transition planning.

Example

NextEra

Objective: We continued our thematic engagement on climate-transition plans and disclosures with the largest emitters in the voting universe (Scope 1 and Scope 2 emissions). The first phase is engagement for information to get a better understanding of the quality of transitions plans and whether companies are taking (or not taking) appropriate measures to align with a future lower-carbon economy.

NextEra is one of the most carbon-intense companies in our holding's universe (on a Scope 1 and Scope 2 emissions basis). This is owing to legacy coal/oil-fired generation capacity and the remaining generation fleet, which is majority natural gas fired. This does not account for the company's direction of travel. NextEra is one of the early movers into renewables in the utilities sector in North America. No company outside of China produces as much power through solar and wind. The company has set a clear objective to be fossil-fuel free by 2035 and has targeted green hydrogen as the route to doing this by adapting current gas-fired plants and retiring oil/gas ones. From a strategic perspective, this is welcome. More specifically, science-based carbon reduction targets or a quantitative pathway to net zero are lacking. NextEra argues that any net zero target would be disingenuous as key technologies on which their strategy depends – green hydrogen, battery storage – are not yet scalable. We have encouraged more quantitative targets, aligned with science-based methodologies, to be put in place. High-level strategic ambitions are welcome, and the company has a track-record of making progress on these. However, externally verifiable commitments improve accountability and transparency.

Outcome: This was an engagement for information. We used this preliminary conversation to establish an opinion on the quality of NextEra's transition planning. We will continue to monitor progress towards aims and to encourage the company to produce a net zero strategy.

Human rights

Raising the bar on gender diversity – direct equity holdings

In early 2022, the UK Government announced that the country ranked second in the world for board gender diversity with almost 40% of board positions in the largest 100 companies held by women, up from just 13% ten years ago. The number of female Chairs in the largest 350 UK companies rose to 48 from 39 in 2020.

This is significant progress driven, in part, by the government commissioned 2016 Hampton-Alexander review, which recommended a target of 33% representation of women on listed board and leadership teams by 2020. This year, the FTSE Women Leaders Review, the successor to the Hampton-Alexander Review, has presented new recommendations including a minimum of 40% female representation. It also calls for the largest 350 companies to have at least one woman in the Chair, Senior Independent Director, CEO or Chief Financial Officer ("CFO"[29]) role by 2025. These aims are also supported by the FCA's new listing requirements, where companies must declare if they have met these specific board diversity targets in their annual financial reports.

In preparation for the step-up in recommendations, we have engaged with investee companies within our centrally monitored universe that have yet to meet the initial target of 33% gender diversity. The aim of this engagement was to encourage progress and understand what measures are being taken to meet the update proposals over the next three years. Most of the companies engaged are based in the UK, but with similar proposals being implemented by the EU we also included Kion Group, a German-listed company.

Quilter Cheviot is committed to engaging with companies to meet best practice standards on board and leadership diversity. All companies we engaged with, except one, are in industries with typically male-dominated workforces. As investors, we are seeking confidence that they have a robust strategy to develop, attract and retain the best talent throughout the organisation and outperform peers on a relative basis. We have outlined our expectations that an explicit focus on diversity must be a key component of this strategy.

Exploring diversity beyond the data – direct equity holdings

Our research explores both quantitative and qualitative diversity and inclusion disclosures across our centrally monitored universe of 342 companies[30]. The goal is to gain further insight into best practices and to identify trends. We use company annual reports and website disclosures as source material rather than direct interaction with the underlying companies, which was limited to specific case studies.

We identified 21 data points related to qualitative and quantitative factors linked to diversity and inclusion. Quantitative data provide a high-level entry point for analysis and qualitative data are useful additional insights into a company's approach to diversity and inclusion. The objective is to identify and assess areas where companies are performing well, or underperforming, and what actions are successfully being put in place to attain a more diverse and inclusive workforce.

[29] See the glossary for an explanation of key terms used in this report.

[30] Quilter Cheviot's centrally monitored universe of equities as at October 2022.

From our research, reporting high-level diversity metrics is standard practice across all geographies and industries within our centrally monitored direct equity universe. Disclosure is less consistent across all ten qualitative data points, of which company disclosure on accessibility within the workplace is very limited. As mentioned, company disclosure on parental leave largely depends on geographical location. The level of diversity and inclusion data and disclosure is heavily reliant on the regulatory requirements of the country a company is operating in. The EU and the UK have more stringent reporting requirements than the US. However, US companies tend to disclose a broader range of diversity data outside of gender, such as ethnic background. There are also differences in how each jurisdiction considers diversity. In the UK, the term ethnic diversity is most often used, but in Europe there is a focus on nationality rather than diversity, while in the US, gender and ethnic diversity data is often disclosed as a combined metric. While providing intersectional data is useful, we welcome base-level gender and ethnic data points to use as a starting point and comparator across industry groups.

Considering there is no globally agreed definition of diversity when it comes to company disclosures, the lack of standardised reporting is challenging when attempting to compare and analyse diversity disclosure across a range of companies. In terms of improving diversity and inclusion disclosure and practices, we welcome defined and measurable goals, alongside actional steps to achieve them. We use this data to inform our ongoing engagements with the companies we invest in.

Example

NatWest

Objective: From our centrally monitored universe we have identified companies that have relatively advanced paternity leave polices, where polices extend beyond statuary regulations. We aim to gain additional information on areas such as shared parental leave and flexible working.

NatWest's new Partner Leave policy commences in January 2023. It will provide the opportunity for new parents, irrespective of gender, to take leave for a whole year. Half of this leave will be fully paid, with an additional 15 weeks being covered at statutory maternity or paternity pay rates. This represents a significant move in gender equality in the workplace. We explored the motivations behind these new policies and the expected outcome on workplace culture.

To formulate the Partner Leave policy, NatWest engaged with several stakeholders across the group. NatWest is undergoing a digital transformation integrating the use of Workday. The company is building workflow tools that enable employees to access information on how maternity leave may impact holiday leave, pay, benefits, and includes additional links to flexible working policies.

NatWest has integrated a flexible working policy that goes above statutory entitlements, focused on term-time working and compressed working hours. With effective resource planning, this provides employees the chance to partake in secondments and develop skills in business areas to which they may otherwise not have exposure. The company provided a long lead time between announcing the policy and the go live date to facilitate as many employees as possible to benefit.

Outcome: Unsurprisingly, the feedback so far has been overwhelmingly positive. NatWest acknowledges that social agendas are a rising priority and being ahead of the curve allows for increasing employee expectations to be met and even exceeded. Senior leadership has widely promoted the incoming policies and, by providing this opportunity, it hopes to lead to increased employee engagement and better retention. However, the company does not have plans to measure the success or progress of the policy. We would encourage the company to track its implementation and effect on employees and the business.

Natural capital

Managing the rising risk around water security – direct equity holdings

Vital to all living organisms, water is a global issue, yet the risk around it – for investors at least – is regionally and sector specific. This can make disclosure and analysis of water risk at a company level difficult to measure and monitor. While we have heard anecdotal evidence of the private sector using water more efficiently, risks around this vital element – particularly its water scarcity – will be exacerbated by climate change, population growth and greater use that comes with growing prosperity.

While water is vital to all industries, the risk it poses varies significantly across them. According to our research and analysis, based on the materiality of their exposure, food, beverage and tobacco companies face the greatest potential impact, so our engagement programme focused there. We selected this industry group not only because of its significant direct water usage, but also its close links to the agricultural industry. Agriculture has the biggest water footprint of any sector, making it the world's largest driver by far of consumption, pollution, and other water-related impacts[31].

Detailed data on corporate water usage are not systematically disclosed. The richest source of water information available to investors is produced by CDP[32], a non-governmental organisation that collects data on disclosed usage. We used the CDP water scorecards (based on levels of disclosures and published policies) and reported annual water consumption to identify companies with the highest potential water risk.

This engagement programme was aimed at collating information, with the primary outcome to understand how investee companies are managing and potentially mitigating these risks. We also wanted to use the information gathered from these conversations to form an assessment of what best practice looks like.

[31] Water Watch - CDP Water Impact Index - CDP

[32] See section 29 for more information on our data providers.

The best performing companies are often the most transparent and we are pleased to say that eight out the nine companies with which we engaged, report against the CDP water framework. A common factor among the companies with detailed water risk planning was membership of the Alliance for Water Stewardship. This is something we would encourage companies to join or align with.

Unlike more established engagement issues, where we have tracked progress over a number of years, this is the first time we have spoken specifically to investee companies in the food and beverage industry on water risk. Most companies admitted it is not a topic they discuss often with investors, but they recognise the risk is growing in importance.

Our main aim from these conversations was to benchmark our companies and establish what good water risk management looks like. This is an important platform for future discussions on natural capital stewardship and we will continue monitor company progress against best practice expectations.

We also participated in collaborative engagements focused on these themes which are outlined in section 20 below.

Example

Mondelez

Objective: This discussion was part of our thematic engagement on water risk with companies in the food and beverage industries.

Mondelez is a water-intensive company with significant links to agriculture, which is also a water-intensive sector. The aim was to learn more about how the company is managing and mitigating water risk, allowing us to set a benchmark for future discussions. Mondelez discloses to CDP on water risk and has water targets in place. Mondelez is in the early stages of its water stewardship journey and its current focus is mainly on the direct operations. More work is required to fully understand what risk lies within the supply chain. Given its history, other areas such as child labour and deforestation, are higher agenda items due to the material reputation impact. These areas of risk management appear more advanced than water management.

Outcome: Mondelez is aware of this and is taking some of the learnings from these projects to strengthen its water management. Mondelez strategy is using some best-in-class practices, such as geospatial mapping to identify high-risk sites and integrating some technologies such as water condensation to reuse water in its factories.

Business as usual – where no immediate concerns are identified but as part of maintaining communication

Example

HSBC Group

Objective: To receive an update on the sustainability approach through a small shareholder group meeting.

We engaged with HSBC Group's Chief Sustainability Officer and Global Head of Sustainable Finance on developing transition plans and the announcement of sustainable finance investment pledges. HSBC Group has made several high-level commitments over the past couple of years as it brings together a more cohesive group-level transition plan. This includes a commitment to publish and implement a policy to phase out the financing of coal-fired power and thermal coal mining in the EU and the OECD by 2030, and other regions by 2040. The company has also committed to implementing a strategy to align its provision of finance across all sectors with the goals and timelines of the Paris Agreement. This will start with two of the most high-carbon sectors – oil & gas and power & utilities. The final strategy will be published in H2 2023.

Outcome: This was an engagement for information. Many of the aspects detailed above are encouraging, but the proof will be in the final published strategy. Engagement with existing clients will be key as HSBC remains a significant financer of fossil fuels, particular thermal coal. It is unclear how escalation will work in practice. There is more work to do, and we will monitor developments.

Example

Intermediate Capital Group

Objective: We held a catch-up meeting with the interim Chair.

We covered topics which included diversity strategies, succession planning and the company's net zero commitments. Our discussion covered a range of topics as this was very much a check-in conversation with no material concerns to raise. Succession planning is underway, with the current Chair's position an interim one. The board have a shortlist of candidates and aims to make an appointment by the end of the year. An interesting development at a board level has been the appointment of the Chief People and External Affairs Officer as an executive member of the board. The appointment was made to help focus the board's efforts on talent retention, recruitment and diversity – a skill set it needed. A specialist executive member focus on these topics is not common but good to see. The company has also confirmed its net zero strategy, aiming to reach that target by 2040 and have science-based target ("SBT"[33]) aligned commitments in place. The funds tend to have relatively low GHG emissions, as they do not have large allocations to energy and mining, which are not seen as their traditional areas of expertise. All funds also exclude companies with significant coal, oil and gas activities. Given the nature of the asset class, engagement is a focus of the responsible investment process. Some investments have limited capacity for engagement, particularly secondaries, where they do not typically hold a board seat.

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

[33] See the glossary for an explanation of key terms used in this report.

The role of engagement within our ESG integration process for direct equities

Our engagement activity also forms part of our overall approach to integrating ESG factors within our direct equity holdings.

There are three key elements to integrating ESG factors into equity research:

1. Qualitative analysis identifying challenges and opportunities.
2. Quantitative data overlay using multiple ESG data sources to create proprietary sectoral, fund and model dashboards.
3. Active ownership through voting and engagement.

As well as the work carried out by the responsible investment team to engage for change, key parts of our work are carried out alongside the equity research analyst to engage for information. This information is collected and fed into the analysts' investment thesis.

Example

Aptiv

Objective: To discuss concerns around executive pay and to seek more information on the supply chain management processes.

This was a high-level engagement on supply chains and remuneration. A more detailed conversation will be needed, and we look forward to receiving more specific information on supply chain management auditing. Detail on supply chain management was light, although the company does audit any new supplier. This process includes an auditing of ESG risks and use of third-party data providers to assess suppliers. We also raised concerns that the CEO pay ratio to the median employee is one of the highest in the S&P 500. The company reports that since 2018, CEO pay has increased by 4% relative to a 37% increase for the wider workforce. A significant amount of the company's workforce is based in Mexico where median salaries are lower. Given the material shareholder opposition to the CEO salary at the previous AGM, we encouraged the company to provide more information on how they are addressing this disparity and considerations around the living wage levels in Mexico.

Outcome: This was a high-level preliminary conversation on supply chains and remuneration, therefore a further detailed conversation is required. We look forward to receiving more specific information on supply chain management auditing.

Example

Tesla – follow up to 2021 engagement

Objective: We engaged with Tesla to discuss several shareholder resolutions proposed at the 2022 AGM.

We also raised concerns related to the re-election of two directors and followed-up on items raised during our last conversation in 2021, including carbon emission disclosures. The shareholder resolutions covered multiple topics including share pledging, diversity & inclusion disclosure and mandatory arbitration, particularly in relation to sexual harassment. On the subject of share pledging – a practice where stock is pledged as collateral for person loans – Elon Musk does not take a salary and, according to the company, does not expect any further compensation from Tesla, but uses this practice to raise cash without selling shares. The company has a share pledging policy in place that limits the total loan value to 25% of shares pledged. We recommended creating an additional policy safeguard of limiting the total percentage of individual shares pledged to 40-50% to allay concerns. Our proxy adviser also recommended voting against both directors up for re-election over concerns around share pledging practices. Given the company's equity dominated remuneration structure and the restrictions currently in place, we will be supporting management in this instance but will monitor progress. Given high profile lawsuits against the company we strongly encouraged further transparency on diversity & inclusion and voted to support the resolution. We also supported further reporting on the use of mandatory arbitration (the practice of being contractually obliged to resolve disputes internally in the first instance). The state of California is bringing in legislation to prevent mandatory arbitration in the case of sexual assault. We suggested a wider review and potential move away from the practice more broadly.

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

17. Stewardship and direct fixed income 7

For fixed income holdings, we invest through funds and directly.

The direct holdings are predominantly in UK, EU and US government bonds as well as supra-national issuance. Integrating ESG factors into the selection of sovereign debt issued by developed countries is likely to increasingly incorporate issues such as climate risk over time and best approached by seeking to influence government policy where appropriate.

Within our centrally monitored universe we have very limited exposure to corporate bonds on a direct basis and therefore are unable to influence the funding structure of issuers as larger holders are sometimes able to do so. The primary consideration is whether these issuers are senior and BBB rated, and whether the bonds will maintain that BBB rating over the period to maturity. We believe identifying the ESG challenges and opportunities that impact the debt issuer is an important factor in evaluating the likelihood of the bond retaining the BBB rating over its lifetime.

18. Stewardship and funds 7 8 9

We invest in multiple asset classes via funds – these include equities, fixed income, infrastructure, property, hedge funds, private equity, commodities, multi-asset, amongst others. We manage in total £36.4 billion in funds as at 31 December 2022[34].

We evaluate our Managers to determine their approach to engagement and the integration of ESG factors on our behalf; we see engagement as an ongoing conversation. This collaborative approach allows us to build rapport and develop mutual respect. It enables us to better understand the Managers we are investing with and their approach. It's also through this direct dialogue that we believe we can exert influence and make a difference. When concerns or material issues arise, we engage directly with our Managers as our first and preferred course of action. We believe it is equally as valid to address ESG-related issues as an engaged investor as it is to take a divestment or exclusionary approach.

In addition, we believe in the positive impact that collaborative engagement can potentially have, and thus have begun to participate more frequently in such engagements. The Managers of our sub-advised mandates are appointed to run funds on our behalf. Our focus is on deepening our collaboration with these Managers in particular, taking a more proactive approach to working with them to help effect positive change where possible.

Our stewardship approach for funds fits into five broad categories. These can take the form of being part of our broader investment due diligence, or as standalone engagements. These engagements may be reactive or proactive. The categories are:

- ESG integration
- ESG risk and exposure
- Voting-related engagement
- Transparency and disclosure
- Thematic

Engagement on ESG integration

When we invest via a third-party fund, one of our considerations is how the manager incorporates ESG factors as well as stewardship practices into their investment process, alongside traditional financial metrics. For us, taking ESG issues into account is about ensuring all potential risks to an investment are considered. At worst, not considering ESG factors might lead to reputational and financial damage for companies that are not managing these issues effectively. As such, we review our third-party fund managers' approach to ESG integration and stewardship. We believe that challenging our Managers on their approach to ESG integration and stewardship and encouraging them to adopt robust practices is an important part of our stewardship role as investors.

From 1 June 2021, any new funds are expected to have UN PRI signatory status through their investment manager/adviser. If this is a fund that is managed by a recently established firm, we would agree a timeline for the firm to sign up to the UN PRI. In exceptional circumstances new funds may be added to our investment universe which are not, and do not have an intention to become a signatory. However, this would be extremely rare and the rationale for not being a signatory would have to be linked explicitly to the specific strategy that the fund was invested in. Any fund being added to coverage in this instance requires senior approval.

We have identified a small proportion which are not signatories of the UN PRI. We expect a number of these will attain signatory status in the near term; for those who remain we will continue to engage with them on this subject to continually evaluate the rationale for not becoming a signatory. We accept that for a very limited number of specific strategies there is no tangible benefit in attaining signatory status at this stage given the nature of the underlying investments.

[34] Quilter Cheviot and Quilter Investors combined AuM held in third-party funds and the Quilter Investors sub-advised range.

Example

Investment Trust – follow up to 2021 engagement

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

Objective: Escalation of engagement regarding the UN PRI signatory status.

As a first step, we communicated that the investment adviser should be a signatory to the PRI. We followed this up with a discussion with the manager to talk about why they have not yet signed up to the UN PRI and to make clear the growing importance of ESG integration and engagement in our fund selection process. We reviewed their revised policies on this. We then met with the Chair and one of the Non-executive Directors. They provided more detail on the actions taken, including the use of an external consultant to validate the processes. However, there is very little external disclosure of ESG integration examples, let alone stewardship metrics or examples.

The manager expressed some concern that signing up to the UN PRI could be at odds with regulatory developments, specifically in the US. We do not believe the concerns are valid. We noted that we have passed on investing in a new fund that the manager is launching because of the lack of UN PRI signatory status.

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

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

Example

Pershing Square

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

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

Outcome: Continue to monitor the trajectory of the responsible investment related disclosure as well as alignment to the UN PRI.

Example

QI Emerging Markets Equity Income Fund

Objective: Engagement to ensure criteria and standards required for investment in the WealthSelect Responsible range are maintained.

In preparation for launching the WealthSelect Responsible and Sustainable ranges early in 2022, all sub-advised funds were assessed for inclusion in each investment universe. Although the fund does not have formal sustainability objectives the QI Emerging Markets Equity Income Fund, achieved a 'Responsible' categorisation using our initial proprietary assessment, with some areas noted for monitoring. This included assessment and integration of social risks, awareness of United Nation Global Compact ("UNGC") violations and some level of key person risk for integration of ESG factors generally. Over the course of the year, we did not reach the level of satisfaction required that these aspects were being increasingly considered, and we downgraded the fund in terms of responsible investment practices on that basis.

Outcome: As a result of the review, the fund was removed from the WealthSelect Responsible range, but continues to be invested on behalf of customers invested in the WealthSelect Managed range.

Example

T Rowe Price

Objective: To validate ESG proprietary scoring and ratings systems used to integrate ESG factors within the investment process of funds we invest in.

Following a demonstration of T Rowe Price's proprietary responsible investment model in their London office, we identified a number of issues. In some instances, scores and ESG data were not populated for companies held in the fund. For example, there was no scoring for Maruti Suzuki, held by the fund. Despite the significant controversies relating to labour issues in India, there were no flags or scoring for this company due to issues with the model. We also considered the portfolio manager to have limited awareness of the model leaving no clear link between the responsible investment team's ESG research and engagement and the outputs of the RI investment management model.

Outcome: We have provided specific feedback on the model in Q4 2022, which is being discussed with the team internally at T Rowe Price in advance of advising a solution.

Example

Various Managers

Objective: Following the vote in July 2022 to include natural gas in the EU Taxonomy, we contacted managers to confirm exclusion policies, and any impact the changes may have on those policies.

We contacted managers of 11 funds held in the WealthSelect Sustainable range selected for existing exclusion policies relating to natural gas. Of these managers, none has made changes to their exclusion policies. Whilst four have indicated they will continue to keep their policies under review, Triodos, Montanaro, WHEB, Ninety One and Pictet have not indicated they would relax such policy in response to a regulatory change.

Outcome: We are satisfied that the WealthSelect Sustainable managers are committed to reducing the impact of natural gas. We have requested that managers notify us with any changes in their position.

We are also firmly of the view that different asset classes and strategies may require prioritisation of different ESG considerations and that different approaches to ESG integration may be equally valid. This is also very applicable in the case of Stewardship as shown below:

Stewardship in different asset classes

Asset class	Engagement and voting
Equities	Ability to use voting rights and engage with the board as well as company management.
Fixed Income	While they do not have voting rights like shareholders have, large fixed income houses can influence the funding structure of issuers. They can also engage on similar matters to equity investors and reconsider their funding if no progress is made.
Property	Incorporation of ESG issues into ownership policies and practices including measurement of sustainability performance of assets.
Infrastructure	Incorporation of ESG issues into ownership policies and practices including measurement of sustainability performance of assets.
Absolute Return/ Hedge Funds	Depends on the strategy and asset classes invested in, whether investments are physical or via derivatives, and the degree of turnover.
Private Equity	Incorporation of ESG issues into ownership policies and practices.

Strategy approaches[35]:

Asset class	ESG integration	Engagement and voting
Active	Consider the extent to which ESG factors are embedded within the analysts' and fund manager's investment decision making.	Engagement on ESG issues at firm level and fund manager level. Does the fund manager leave it to others to engage on ESG issues?
Passive	Consider the approach taken if ESG tilts are applied, including the source of ESG data. Any exclusions applied?	How extensive is engagement with companies and is meaningful voting action taken? What do they do where the exposure is synthetic?
Quant/Systematic	Consider sources and quality of ESG data and the approach taken. Are ESG risks integrated into the systematic process or is ESG considered as an additional factor to add alpha?	Are the shares held long enough to vote?
Ethical/Exclusions	Consider the exclusions chosen (e.g. traditional values/ unsustainable/a reflection of engagement), exact definitions (e.g. % revenues) and impact (on breadth of investment universe and tracking error) of the negative criteria applied.	Engagement on ESG issues at firm level and fund manager level.
Sustainable	Consider whether the emphasis is on best in class, sustainable themes, ESG improvers etc. Consider whether the fund has a focus on companies making a positive contribution or a focus on sustainable revenues in more of a financial sense. Consider the degree of positive bias in the portfolio and what exclusions are applied.	Engagement on ESG issues at firm level and fund manager level.
Impact	Understand how positive impact is defined, assessed and measured, including how any negative impacts are considered.	Engagement on any negative impacts as well as maximising the positive impacts.

Example

Third-party manager – UK equity – follow up

Objective: To follow up on our previous engagement and to track progress regarding the integration of ESG factors into the investment team's decision making and engagements.

We discussed their progress rolling out ESG data and analytics to the investment desk and why the previous system they had been working on is not being used on a day-to-day basis. The firm has a climate focus universe of 1,000 companies. However, there is limited overlap with the fund's holdings – which number just 13 companies – given the inclusion of smaller companies within the fund's investment universe. We discussed their progress on diversity & inclusion at a firm level and their thinking around the diversity of the UK team, which remains predominantly white male, although we realise that not all diversity is evident in photos. We were pleased to hear there is a female portfolio manager joining the team in the next few weeks.

Outcome: The firm has made less progress than we expected on rolling out more sophisticated data that is used on a daily basis by the investment desks. We have given feedback about the progress we would like to see by the time of our next engagement.

Example

Third-party manager – US equity

Objective: To understand more about the firm's approach to considering environmental and social factors, given the greater focus on governance in the past.

The firm focuses on financial materiality when considering ESG factors and believes that governance factors will be financially material for every company, whereas financial materiality for environmental and social factors can vary by company, industry and region. The firm has increased analyst resource to spend more time on environmental and social issues, especially as climate change has become a bigger issue for companies. ESG issues are also considered by internal investment committees. We discussed third-party data use and an ESG data dashboard that helps them, for example, understand the impact of a higher carbon price on company earnings. We also discussed some of the fund's high emitting holdings.

Outcome: This is an Article 6[36] fund with a value bias. There remains a focus on governance, but it was good to hear the firm is building out analyst resource to have more time to consider environmental and social issues. It was also positive to see that the checklist questions asked within the ESG risk framework include important environmental and social factors, rather than being dominated by governance-related questions. We will continue to evaluate progress, including looking for expertise on environmental and social issues across other members of the team.

[35] Quilter Investors – predominantly undertaken for WealthSelect portfolios only.
[36] See the glossary for an explanation of key terms used in this report.

Example

Third-party manager – firm update – follow up

Objective: To discuss the central sustainability team's progress to further embed ESG factors in investment manager decision making, following a meeting with the manager of a specific strategy where we felt there were improvements to be made.

Training on ESG integration and other topics related to responsible investment is provided to fund managers but is not compulsory. We gave our view that the delivery mechanism for the training is critical due to the technical nature of the topic. Using engaging speakers to explore and discuss ESG issues can help managers fully appreciate related risks and understand why focusing on sustainability is important. The firm is rolling out new analyst ESG ratings and it expects them to add more clarity and structure to the process. It aims to offer deeper analysis, which is more granular and captures impact and financial materiality. The ratings will include a climate assessment, considering alignment to energy transition goals, as well as building in considerations of a just transition[37]. By providing tools of value, the firm hopes to appeal to fund managers who have not yet engaged with ESG factors when making investment decisions.

Outcome: This was a positive update, and we will follow up in due course to hear how the new ratings are being used by the investment desks in practice.

Example

Third-party manager – Asia equity – follow up

Objective: Follow up to a meeting in which we identified areas for improvement

The manager outlined how he views the analyst ESG ratings on the firm's proprietary research system, which can be drilled down to sub-categories to help understand specific issues. We discussed the ESG risks for two stocks, a shipping company and a fertiliser manufacturer and supplier, along with how the manager considered the information. The manager did not feel these risks changed his investment thesis and therefore retained the holdings.

Outcome: The manager remains much more focused on governance in his investment thinking than on environmental or social factors. As an Article 6 fund under the Sustainable Finance Disclosure Regulation, this can be partly justified, given its focus on Asian companies and corporate ownership structures in the region. We will continue to assess how the manager is making use of ESG data and any training provided.

Third-party manager – fixed income

Objective: To understand the approach to ESG integration and engagement and any changes made to the process, now that the fund has been added to the firm's sustainable fund range and classified as Article 8[38] under SFDR[39].

We discussed the rationale for classifying the fund as Article 8 and moving it to the sustainable fund range. We discussed the exclusions now in place and how these have had no material impact on the portfolio, with exposures like tobacco sold down in recent years. There is now a requirement for the fund to hold a set proportion of the portfolio in companies that maintain sustainable characteristics and for the rest of the portfolio to show improving sustainable characteristics. We discussed the engagement activity and views on green bonds, sustainability and sustainability-linked bonds, which will be held when seen to be attractive investment opportunities.

Outcome: We have been invested in the fund for several years. This was the first meeting focused on ESG integration and engagement since the fund was moved to the sustainable fund range. ESG factors, including climate risk come across as being embedded in the fund manager's investment thinking, though the motivation for this to be a sustainable fund also appeared to be driven by client demand. We will watch for how the portfolio evolves from here, and the enhanced framework that has been put in place for engaging with the issuers with a low sustainable rating that are seen to be 'improvers' in the fund.

Example

Third-party manager – private equity

Objective: Update on how the firm is integrating ESG factors into its process and engagements.

The fund is managed using a fund of funds strategy, investing in third-party private equity funds. We discussed how an ESG manager scorecard is used, which is intended to give a picture of the quality of the approach being taken, considering how the fund approaches ESG factors within the process and in the standard reporting, due diligence reporting and incident reporting. The scorecard has evolved over the years, to include climate change and diversity and inclusion indicators, for example. We understood how the approach differs, whether it is a direct co-investment or secondary investments, with engagement with portfolio companies taking place mainly with direct co-investments – helping set out an ESG policy, for example. We discussed the firm's participation in a net zero/Science Based Targets initiative, a working group that is working to produce guidance.

Outcome: We felt the firm has a sound approach to ESG integration and engagement within the private equity space. We will be looking to see how it approaches making net zero commitments.

[37,38,39] See the glossary for an explanation of key terms used in this report.

Example

Third-party manager – private equity

Objective: To understand the approach to responsible investment as a private equity firm.

We discussed the exclusions that are applied, and ESG factor assessments, which include questions relating to climate change, data privacy and company culture. Work is being undertaken on diversity and inclusion, including on gender diversity and diversity of social backgrounds. There is a process in place to provide feedback to companies and set out action points to monitor progress over time. We also discussed the firm's commitment to the Net Zero Asset Managers initiative ("NZAMi" [40]) and targets for the underlying holdings to have science-based targets.

Outcome: This is a private equity firm investing in technology buyouts. We saw many elements of best practice in the approach. While ESG factor assessments do not influence the valuation assumptions for investments, there are exclusions on certain product involvements and work is undertaken with companies to improve on the action points identified. We were particularly glad to hear of the focus on issues, like lack of gender diversity in technology.

Example

Third-party manager – cash/money market

Objective: To understand whether ESG considerations are feeding into the investment process and engagement for the fund.

This was a meeting with the fund manager to discuss the approach being taken to consider ESG factors within the process, which includes a feed of third-party ESG data. There are some screens that are acknowledged to have minimal impact as the fund is predominantly made up of financials. Although this strategy has very short-term positions, given its mandate, it does have positions with the same issuers, and therefore is in a strong position to engage with issuers. The firm is able to evidence how engagement has driven change at its issuers – for example, proposing and achieving amendments to a bank's coal exclusion policy.

Outcome: ESG factors are being given some consideration, primarily to reduce portfolio risk. Royal London also engages with holdings, both at team level and centrally.

Example

Third-party manager – net zero

Objective: To understand better the approach the firm has chosen for the NZAMi and how this commitment sits alongside its 2030 net zero statement.

We discussed the firm's Science Based Targets portfolio coverage approach, the difficulties in committing to targets where some sectors do not have Science Based Targets Initiative ("SBTi") methodologies in place yet, and the data constraints for the firm's large investment universe. We challenged the wording of the net zero statement, which makes no reference at all to 1.5 or 2 degrees of warming, or the Paris Agreement. Neither does it say whether there will be engagement with companies to encourage them to set and improve decarbonisation strategies. We discussed what fiduciary duty means for passive holdings when climate risk is seen as investment risk.

Outcome: It is hard to fully assess very large institutions that we know risk being told they are breaching their fiduciary duty as part of the anti-ESG backlash we have been seeing, particularly in the US. As it stands, the net zero statement makes us question why the firm has signed up to the NZAMi.

Example

Third-party manager – net zero

Objective: To understand how the firm is approaching its NZAMi commitment.

The firm is using the Net Zero Investment Framework ("NZIF") methodology and now has 70 funds within this framework. The process involved individual fund managers agreeing to the net zero commitment, and then gaining fund level and regulatory approval. The firm uses data from multiple sources and considers eight metrics when evaluating companies' plans; a rating is given to each holding, to reflect their progress towards net zero alignment.

Outcome: Our meeting with the responsible investment team gave comfort that the manager is focused on engaging with companies to decarbonise, in line with delivering 1.5 degrees of warming.

[40] See the glossary for an explanation of key terms used in this report.

Example

Third-party manager – net zero

Objective: This was a follow-up meeting regarding progress on ESG integration and, in addition, to understand the firm's approach to net zero and views on the NZAMi, which the asset manager has not joined, to date.

The ESG-focused investment team has been expanded and new ESG data and analytics have been rolled out to the investment teams. This is going to be developed further from here to deliver greater flexibility, but this already reflects significant progress. We discussed the firm's rationale for not signing up to NZAMi and reservations about committing the firm's total AuM to net zero. We explained that we are keen to see all the fund houses we invest with sign up to NZAMi and note its caveats around client mandates, regulatory environments and the need for governments following through on their own commitments. We also gave our view that engagement and real-world change is key, not making changes to portfolios.

Outcome: It was helpful to hear about the progress made on ESG factor analytics, which we will then be able to consider further at our next meetings with the fund managers we invest with. We will continue our discussion on NZAMi at our next meeting.

Example

Third-party manager – net zero

Objective: To understand why the firm has not signed up to NZAMi, whether its net zero ambition is credible or not.

We discussed the firm's net zero ambition and the rationale for not signing up to the NZAMi at this stage. The firm explained that among its key concerns are that their client mandates do not have net zero objectives and, also, the potential for the NZAMi commitments to change over time. This has not stopped the firm setting its own net zero ambition which is primarily focused on the integration of ESG factors within the investment process, identifying high emitting issuers that are lagging peers, and an active ownership agenda which includes being part of Climate Action 100+.

Outcome: We will continue to engage with the firm on its net zero ambitions.

Engagement on ESG risk and exposure

We use engagement with our Managers as a tool to understand and monitor ESG risk exposures as well as look at how these Managers are managing those risks. In many cases, this dialogue takes the form of a more in-depth discussion on specific exposures and companies held by the Manager. Examples include looking at exposure to controversial areas such as thermal coal or controversial weapons. This can also be where there is a suspected breach of international standards. We use internally developed dashboards and external ESG data sources to help identify sources of risk and exposures and priority areas for engagement with our managers.

Example

Third-party manager – engagement on Rio Tinto

Objective: Deep dive into engagement activity with global mining company Rio Tinto, following publication of its workplace culture report in early 2022.

We had spoken about Rio Tinto briefly at our meeting with the fund manager. As a follow-up, we asked the firm for an overview of engagements with Rio Tinto over the past year. The firm had identified that workplace culture was a specific concern. We knew that the firm had engaged with Rio Tinto in the first quarter and had asked for metrics on how progress in improving the culture will be measured. Our focus was on understanding whether the metrics the firm was pushing for have been put in place and if there had been further engagements with Rio Tinto on this.

Outcome: We were provided with reasonably detailed information regarding the nature of the engagement activity. Rio Tinto has put in place 26 concrete actions to be implemented over the next two years and we will re-engage with the firm over the course of this period to monitor progress.

Example

Third-party manager – UK equity – engagement on Antofagasta

Objective: Update on whether there have been any changes to how ESG factors are included in the process, any change to the acceptable universe given that the fund has strict exclusionary criteria, and how net zero targets are being approached at fund level.

We discussed the inclusion of Antofagasta in the fund, on the basis that where extractives were previously excluded, they are now permitted where companies are mining metals that are critical for the transition, of which copper is one. We discussed the conduct issues that have been assessed and why it was felt that Antofagasta is now an acceptable exposure. We also discussed the potential challenges of meeting 2030 portfolio decarbonisation targets when a fund is constrained by an income mandate and various ethical exclusions. We gave our view that engagement with portfolio holdings to encourage them to set and meet science-based targets is more important than portfolio carbon intensity, given the importance of real-world change.

Outcome: We discussed changes to the team following a corporate event and changes to the acceptable universe. As a follow-up. we have asked for clarification about the fund's net zero targets given its income and ethical constraints.

Example

Third-party manager – US equity – engagement on Exxon

Objective: Deep dive into the fund manager's exposure to Exxon to gain an understanding of how climate risk is factored into the team's investment decision making and engagement.

We had a call with the portfolio managers and stewardship team to discuss their analysis and engagements with Exxon. We discussed the team's increased interest in the stock after new board members were elected in 2021. This followed the Engine 1-led activism, which the asset manager supported by voting for the election of three of the four proposed new non-executive directors. Our discussion included the ambition of the environmental targets that Exxon has set to date, whether the team expects to see Exxon disclose Scope 3 emissions data and set targets, and whether they are engaging on lobbying alignment. We pushed back on the view put forward by the portfolio manager that oil supply has been constrained by those advocating ESG considerations, rather than being constrained by factors such as Russia's war in Ukraine.

Outcome: This is an Article 6 fund that does not have a net zero or sustainability objective. The asset manager is a signatory to the Net Zero Asset Managers initiative and our discussion was focused on understanding how their engagement strategy aligns with this, as well as the consistency between the thinking of the investment and stewardship teams. As the fund that currently has the largest exposure to Exxon out of our funds under coverage, we have urged them to use their access to management to engage more on climate action, including in regards its lobbying activity. We also reiterated our view that the oil supply has been constrained by a number of factors, not just ESG considerations.

Example

Third-party manager – US and global equity – engagement on EOG Resources

Objective: This was a follow-up meeting to focus on a specific strategy, having discussed the firm's wider net zero approach.

The strategy is following the Net Zero Investment Framework methodology and there is an emphasis on engagement. The team has been engaging with EOG Resources, which is involved in hydrocarbon exploration; the holding provides the fund with energy exposure and an ability to engage with management. Additionally, there is the ability to use voting rights to foster change, which the fund manager has used to reinforce its view that EOG should report on Scope 3 emissions and to add another woman to the board. A further aspect of the discussion was how the manager was thinking about the social impact of companies' transition plans.

Outcome: We believe the fund team is showing thoughtful consideration regarding the strategy's approach to net zero.

Example

Third-party manager – engagement on Xinjiang Goldwind

Objective: A call with the fund manager about a company that is held in the fund, following allegations it is using forced Uyghur labour.

Xinjiang Goldwind is a leading wind turbine maker in China that has allegedly been using polysilicon linked to forced Uyghur labour. We discussed when the fund manager became aware of the allegations, the review of the evidence at the time, and monitoring of the company since then. The holding has since been sold within the fund.

Outcome: We see this as an example of how ESG issues can be complex. We do not want any investment to be linked to Uyghur labour. However, there is a broader issue that China currently dominates the global market for polysilicon with a very significant proportion coming from the Xinjiang region. Polysilicon is needed for the production of solar panels and wind turbines, which are required for the energy transition. The manager has divested the holding, but we will continue to consider how other holdings are evaluated and engaged with regarding any further links to Uyghur labour in their supply chains.

Example

Third-party manager – Asia equity – engagement on specific holdings

Objective: Follow up on a meeting last year to monitor progress on ESG integration.

We discussed specific holdings to better understand how the manager considers ESG factors. We focused on Metro Pacific Investments (MPI) and Cikarang Listrindo, both of which are involved in thermal coal production. MPI has recently decided against a project to add further coal capacity and has stated its intention to move further towards renewables. Cikarang Listrindo has also decided to add no further coal assets, instead is focusing on building solar capacity. As a whole, the geographic region in the manager's remit is still at an early stage on its sustainability journey. The manager considers ESG factors from a risk mitigation perspective and is mindful of markets where setting climate-related goals needs to balance with meeting the needs of populations.

Outcome: The manager is increasingly focused on setting expectations for its underlying companies, and we will continue to monitor progress.

Example

Various managers

Objective: In response to significant client interest expressed to us through the adviser relationships team (Investment Directors) we explored the extent and type of exposure to non-pharmaceutical animal testing activity in the WealthSelect Sustainable portfolios.

In response to several client requests relating to animal testing, and some analysis of data from our third-party ESG data provider, we wanted to explore in further detail manager views of any non-pharmaceutical animal testing activities. Although we initially flagged a possible 4% of exposure in the Sustainable portfolios, this data was found to be inaccurate in the case of some companies (e.g., Tate & Lyle and Intertek). Having engaged with 15 managers relating to 56 companies, we have learned of 20 instances where non-pharma animal testing was also an area of engagement with the company identified. In most cases, the companies were found to have very limited involvement in non-pharma animal testing and only carry out animal testing when they are required to do so by regulation and where alternatives are not available. Where animal testing is conducted, companies we invest in tend to have policies and procedures in place to protect animal welfare. For example, Ecolab (which is one of the largest stock positions in WealthSelect Sustainable) has a detailed policy on animal welfare that requires testing only be used when hazard characterisation is not possible using alternatives. All tests are also signed off by the Ecolab Animal Welfare Board.

Outcome: We communicated our findings and outcomes to clients through our Investment Director team and details of the types of exposure held and the rationale, analysis and proactive engagement by managers on this topic. In certain instances, our questions resulted in manager engagements with companies on animal testing policies.

Example

Hino Motors

Objective: We engaged with the manager of an exposure to Hino Motors in March 2022, at the time it was discovered that information relating to engine emissions had been falsified.

Hino Motors, part of Toyota Group (over 50% owned), announced in March that they had falsified emission and fuel efficiency data in certain engine models, some dating back as far as 2016. When we contacted our sub-adviser manager at M&G, they reached out to the company for more information, but expressed disappointment about these findings, and as a Toyota Group company in particular. The team recognised governance and other detractors from ESG scores and ratings and reduced their position. After further investigation, the long-term position of the company was considered less preferable to other buying opportunities in the market and the stock was exited. The position in Toyota was retained.

Outcome: The manager sold the position in Hino Motors, but continues to hold Toyota and may consider a follow-up engagement around Toyota's lobbying activity.

Example

Ericsson

Objective: Ericsson flagged with a High level impact controversy*; and in the press relating to findings from their internal investigation of business in Iraq.

The controversy rating for Ericsson was updated to Category 4 (High) for Business Ethics Incidents after an internal investigation into the use of alternative transportation routes that circumvent Iraqi customs, and breaching its Deferred Prosecution Agreement. We contacted managers with exposure in our WealthSelect Responsible and Sustainable ranges (Edentree and Aviva) who both engaged with the company and were not fully satisfied with the commitment to improve internal oversight functions. Particularly in this case of operating amongst terrorist groups which represents significant risks.

Outcome: Both managers decided to divest from Ericsson leaving no further exposure in the WealthSelect Responsible Active or Sustainable portfolios.

** Our third-party data provider rates controversies from Severe through to Low impact relating to companies that are identified as being involved in incidents that may negatively impact stakeholders, the environment or the company's operations.*

Voting-related engagement

As mentioned elsewhere in this report, we take our voting responsibilities seriously and this extends to our closed ended funds such as investment trusts. Here we actively participate as shareholders, effectively using our vote to be responsible stewards of our customer's capital. As part of this, we engage with managers in advance of votes to lobby for change where required. This allows us to use the opportunity to support responsible investment practices.

In addition, we expect our managers to vote on our behalf where appropriate, and where we feel enhancements to voting arrangements by our managers should be made, we will actively engage with them to encourage improvement in line with our voting policies.

Example

Third-party manager – firm update

Objective: Evaluate the progress made on voting and engagement.

We discussed how resource has been added to the team and how it intends to take a measured year-on-year approach to setting stewardship expectations, so that companies have time to act. One particular focus of discussion was the lack of apparent support for shareholder resolutions in the US. The firm's view is that the wording of many of these is not conducive of their support; additionally, it feels it is constrained in filing or co-filing proposals itself. We discussed Exxon and the progress made since the changes to the board in 2021. We also discussed the firm's focus on TCFD, targets and disclosures, and the need to push for capital expenditure to be in line with the decarbonisation plans set out by companies. Finally, we talked about what the firm believes are limitations for engaging in favour of transition plans and new capital expenditure that are aligned to 1.5 degrees of warming.

Outcome: We found the level of ambition that came across to be more muted compared to a previous update. We know that the firm is navigating a difficult environment, particularly in the US, and that work could also be going on behind the scenes. As a follow-up, we arranged a separate meeting to focus on their net zero commitment and a further meeting with the head of sustainability.

Transparency and disclosure

As well as encouraging managers to explain how they approach ESG integration, in line with best practice we expect managers to regularly publish details of their voting and engagement and to disclose examples to us on a regular basis for ongoing discussion. In terms of the latter, we look for quality not quantity; voting on thousands of resolutions at AGMs may be laudable but we are more interested in the thought process that goes into making these decisions. Often this quantum of voting may simply be the result of an automated voting system which does not lead to engagement with companies on key topics.

In addition, since the start of 2021, a formal quarterly reporting process has been established for our sub-advised mandates. We expect our sub-advisers to report on a quarterly basis across their responsible investment practices, including climate-related information and data, engagement and voting.

Example

Ekhardt

Objective: To understand the structure of the Ekhardt Trading Company with respect to InvestCorp-Tages and the UN PRI signatory status. As the fund is not fully incorporated into the parent commitment, we took further engagement on possible steps toward making this commitment in future.

During standard due diligence processes, we verify that manager firms are committed at a high level to responsible investment practices by committing, or showing evidence toward committing, to the UN PRI and FRC Stewardship Code (as appropriate). As the Ekhardt Trading Company is not a signatory, we engaged with the management team in July 2022 to understand the extent of involvement in the related activities (such as reporting), and what integration of ESG factors were considered in the investment process. Whilst the strategy of the fund presents challenges (a short-term, systematic process-driven strategy), the team does make ethical considerations in trading decisions, and systematically exclude certain activities such as trading in live futures, which could theoretically be extended. The Ekhardt team is also committed to the exclusion of exposure to companies involved in cluster munitions and anti-personnel mines and will be considering an application to UN PRI in future.

Outcome: We will continue to welcome the open dialogue started with Ekhardt Trading and encourage increased activities as responsible market participants through membership initiatives.

Example

UBAM and Bluebay

Objective: To ensure that commitments to reporting requirements are met by all managers.

We followed up with these managers where the level of transparency and reporting has fallen short. This may be asking for intentions of next steps relating to FRC Stewardship Code application (such as with UBAM), or following up on non-delivery of impact reporting for funds held in the WealthSelect Sustainable portfolio, where we require an annual report.

Outcome: We have received confirmation from UBAM that their re-application was successful and they have now received signatory status to the FRC Stewardship Code. We continue to review reporting timelines for Bluebay.

Example

Investment trust – follow up

Objective: We have engaged with the board of the Trust and the manager on numerous occasions since 2019 urging them to provide full disclosure of the underlying holdings of the portfolio.

There have been various reasons given over the last three years as to why this is an issue for the trust – notably the concern that other investors might replicate the strategy. We have argued that this is not a material issue and that all shareholders should have access (which is best practice) to the underlying holdings of this equity strategy.

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

Thematic engagements

As flagged elsewhere in this report, we have a number of thematic priorities – climate change, human rights and natural capital. As such, our investment businesses have begun to undertake more proactive thematic engagements underpinning these themes. This is particularly an area of priority for our sub-advised mandates. We see these as longer-term engagements where we work with our managers to collaboratively engage on key thematic issues that are a priority for us.

Thematic engagement – climate change

Example

WealthSelect thematic climate engagement

Objective: Initiate long-term engagement to increase the setting of science-based targets for carbon emissions in the WealthSelect Sustainable portfolios.

Prioritising funds with the highest carbon emissions that are not committed to SBTs, we have opened dialogue with 12 (half) of the fund investments in the WealthSelect Sustainable range, representing 78% of the carbon emissions of the mid-risk level portfolio. These funds have been asked for details relating to their climate awareness, engagement objectives and challenges that might apply to the assets in their investment strategy. We have also taken into account the firm level context in terms of climate action commitments. In all cases, follow-up questions and specific issuer level examples were discussed with the manager to fully understand the detailed climate profile of the fund and the likely trajectory of its carbon transition.

Outcome: This has helped develop a detailed baseline understanding of the climate position of WealthSelect Sustainable range and identified areas for monitoring and ongoing engagement. We will be continuing this engagement long term and rolling out more broadly to our AuM in line with our own product and firm level objectives.

Example

Credit Suisse – engagement with sub-adviser and third-party fund manager

Objective: Understand managers' views of shareholder climate-related resolution ahead of the 2022 AGM.

Managers with exposure to Credit Suisse directly or through a fixed income position were contacted for their views on a shareholder resolution calling on the bank to clarify its climate strategy by reducing exposure to fossil fuels. All managers were generally supportive of climate positive resolutions and the challenge of energy transition for companies like Credit Suisse. In the case of SparInvest, a holding passing criteria for investment by the WealthSelect Responsible portfolios, the manager shared information on the engagements with both ShareAction and Credit Suisse ahead of the AGM to understand concerns and alignment with their own view.

Outcome: We achieved a good understanding of the manager's views and the current engagements with Credit Suisse, who were opposed to any amendment to the Articles of Association for this resolution. Despite general support through our exposures, this resolution gained only 18.5% support at the AGM and so was not approved.

Example

Barclays Bank plc – engagement with our strategic partners including Redwheel, Artemis, Jupiter, Premier Miton, Janus Henderson

Objective: To evaluate the climate strategy resolution at Barclays AGM and our managers' approaches to voting decisions.

In the lead up to the Barclays AGM this year we consulted with several of our sub-adviser managers with exposure to Barclays through our mandate portfolios. All managers described open engagements with the company, both directly and through coordinated initiatives such as the Institutional Investors Group on Climate Change ("IIGCC"[41]), all including climate-related topics. In general, although the overall view is that the bank shows positive intention on climate, the detail of the plan subject to an approval vote lacked ambition and rigour. In particular, the plan to phase out fossil fuels excludes certain sectors and jurisdictions without explanation and shows ambiguity around certain baseline calculations. In some cases, this resulted in dissenting votes on the climate resolution, and in all cases this issue is an active discussion with sustainability teams and investment managers internally.

Outcome: With c.20% dissenting votes on this resolution, we believe Barclays must acknowledge shareholder interest and at least commit to a future 'Say on Climate' vote. We continue to monitor for progress on this, along with the rest of the banking sector in the coming voting season.

[41] See the glossary for an explanation of key terms used in this report.

Example

BlackRock

Objective: Understand overall approach to stewardship including publicly highlighted voting trends relating to shareholder resolutions.

In May 2022, BlackRock announced an evolution of its approach to climate-related shareholder resolutions in order to preserve financial priority for clients. This subsequently attracted negative press for being obstructive to climate action. We requested a meeting with BlackRock's stewardship team, which was held in July, to understand BlackRock's position and its view on long-term materiality of climate change. BlackRock has described its decline in support of shareholder proposals a result of the quality and ultimate goals of those proposals, often being prescriptive and activist. BlackRock also described the extent to which it engages with the proponents of resolutions to explain dissention. The BlackRock team acknowledged that climate risk is financial risk and focus on materiality using a number of checks to verify that companies are moving in the right direction on climate. There are further plans to implement systematic capabilities for end clients to also submit their own voting decisions over the coming year.

Outcome: We will continue to engage with BlackRock's Stewardship team and to monitor voting and engagement activity through reporting on our sub-advised mandates, as well as any opportunity to implement voting where these are passively managed strategies.

Thematic engagement – natural capital

Example

Drax Group plc

Objective: Following a BBC Panorama broadcast, we engaged with data providers and managers holding Drax Group plc to understand their own assessments of the company's forestry activities in Canada.

In October 2022, the BBC broadcast a Panorama programme investigating the company's sourcing of wooden pellets from primary forests in British Columbia, Canada suggesting these were used to power the Yorkshire power plant with biomass and hence attracting subsidies from the UK Government. Our exposure to the company was through three actively managed funds (run by Jupiter, Premier Miton and Trium), one being held by the WealthSelect Responsible range (Trium). We requested information from these managers regarding their engagements with the company and understanding of the operations relating to the programme. In all cases, these managers actively engaged with the company and were able to articulate detailed rationale for their view and next steps in terms of investment and engagement. In the case of Trium, the team had already been proactively engaged over the long term to the extent they had begun primary research to explore the grades of wood being used for pellets by the company and had reduced their position in the meantime. In both other cases, managers had direct meetings with Drax management teams, as well as contributing findings and outstanding questions to a collaborative engagement effort to help create an efficient discourse with the company. We also contacted our third-party ESG data provider, who had given the event a moderate (Category 2) controversy assessment. The rationale noted that Category 3 for biodiversity would be raised for widespread illegal logging activity, which this case does not carry such legal risks.

Outcome: The collaborative engagement with Drax Group plc is ongoing, targeting increased transparency on policy and operational oversight. All managers with exposure are active participants and are providing input from their own direct engagements. Our data provider also has the company under increased scrutiny, with some separate controversies also noted (e.g., on emissions, effluents and waste). We also monitor any related escalation.

Thematic engagement – human rights

Example

Volkswagen

Objective: In November 2022, MSCI adapted its methodology for assessing compliance with the United Nations Global Compact ("UNGC") principles, which we consider an important aspect to integrate into investment decisions. The resulting change in outcome for several stocks, including most notably Volkswagen, to non-compliant status drew consequences for several managers, including funds held in the WealthSelect Sustainable and Responsible ranges.

We followed up immediately with managers holding Volkswagen and Hon Hai to get a full understanding of the actions resulting from this change in MSCI UNGC status. We also engaged directly with MSCI to understand what had triggered the change, and Sustainalytics as our own third-party provider for their view on this. Stages in MSCI's assessment consider the context of related controversies, including Exacerbating Circumstances. The location of Xinxiang is considered in this case to involve "vulnerable demographic", which contributes to the overall scoring. Sustainalytics considers that there is no evidence of forced labour at the plant in question, which is a joint venture, and does not include contextual circumstances in the assessment to this extent. Institutional Share Services "ISS" [42] also deems the company to be UNGC compliant. The different assessment methodologies use by ESG data providers, had mixed consequences for managers. In most cases, managers have conducted independent research and engagement with the company directly. From the eight actively managed funds holding Volkswagen in the WealthSelect Sustainable and Responsible ranges, four have moved to sell the position (one before the MSCI change in outcome). The four managers who have retained their positions either use other data providers, or proprietary assessment methods, and all are monitoring this position closely.

Outcome: As there is extensive ongoing engagement, by managers with Volkswagen, and with MSCI, we continue to track the ratings and engagement outcomes. MSCI currently continue to consider the company non-compliant, but have adjusted some of the language in the reporting to remove reference to 'forced labour'.

[42] See section 29 for information on our data providers.

Example

Orpea

Objective: After a controversy was reported relating to mistreatment of residents, and divestment elsewhere in the WealthSelect Sustainable portfolio, we contacted the manager of our remaining exposure to Orpea (the French nursing and residential care provider).

When a manager reported exiting their position in Orpea in May 2022 due to concerns and lack of confidence in policies and poor transparency, we contacted the manager of our remaining exposure in the WealthSelect Sustainable range, Mirova, for a view on this criticism. Mirova had a clear action plan in response, including a set of objectives for further engagement. However, following a controversy about mistreatment of residents, and a slow decline in Orpea's share price, Mirova were not satisfied that engagement would achieve a satisfactory response, and sold the position later in the year.

Outcome: There is no longer any exposure to Orpea in the WealthSelect Sustainable offering.

Example

Collaborative Engagement on Conflict Minerals – update

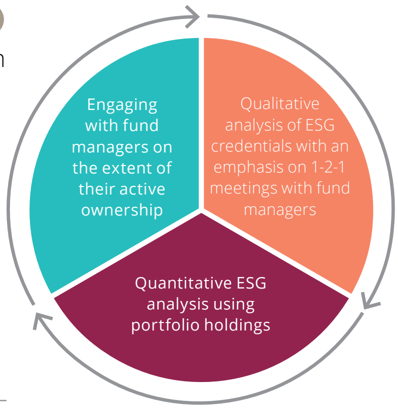
Objective: Via the UN PRI collaboration platform we joined an engagement regarding conflict minerals within the semi-conductor supply chain to improve best practice on sourcing.

We supported a collaborative engagement, led by Stewart Investors, when they sought investor signatories to a letter to semiconductor companies to take leadership roles in improving best practices for sourcing of conflict minerals. Addressing this issue is well aligned with Quilter's thematic priorities on human rights. As such, we also engaged with our strategic partners to encourage further investor support for this letter to 26 companies calling for specific actions including innovating solutions for improved traceability, to take a firmer stance on non-compliance and improve recycling and transparency in the supply chain. This engagement opened discussions for further collaboration on this important topic, and resulted in four more firms signing the letter for engagement, including JP Morgan, RWC, Fidelity and Jupiter representing substantial AuM as signatory to this letter. The letter representing a collective total of $6.59 trillion in AuM, was sent in November 2021.

Outcome: Stewart Investors communicated a signatory update in August 2022 outlining their letter sent to 29 companies and where responses had been received and where they had not. For companies that had responded, meetings have been held or are planned. During the meetings that have taken place Stewart Investors were asked to share any good ideas/best practices and discussed what companies could do as well as issues and challenges. This is a multi-year engagement and Stewart Investors will continue to update signatories on any progress made and any challenges encountered. In the meantime, we aim to gain further insights on this topic to inform development of this engagement.

19. Managers: expectations and monitoring across asset classes 8 9 12

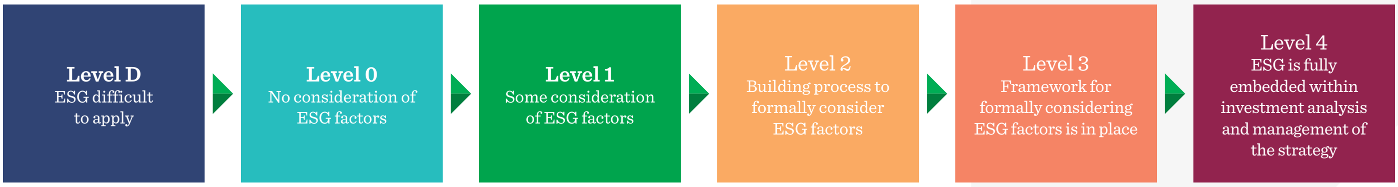
Our fund research team considers the approach taken by fund managers to ESG integration and engagement as part of its research and analysis process for evaluating funds. The analysts draw on various ESG inputs and the responses fund managers give to the responsible investment focused Request for Information ("RFI") which has firm-level and fund-level questions on areas including responsible investment resource, integration approach, portfolio risk analysis and voting. A key part of the process, however, is the analysts' 1-2-1 meetings with fund managers and other relevant teams, whether as part of their regular due diligence meetings or as separate dedicated meetings, to discuss the approach taken to responsible investment, including:



- the expertise of the investment team and that of any separate responsible investment team, and how these work together;
- how internal and external ESG data is used within the process;
- how ESG factors are incorporated alongside the various traditional financial metrics the fund manager might use to assess companies;
- the extent to which material ESG risks are incorporated in a systematic way into analysis and decision making; and
- the extent to which fund managers are engaging with company management with regard to ESG-related issues.

The analysts use this assessment to assign an ESG rating to the fund, which reflects the degree to which they believe ESG risks and opportunities are embedded in investment analysis and decision making within the manager's investment process. We believe that ensuring due consideration is given to ESG factors as part of the investment process contributes towards markets properly pricing ESG risks and opportunities and over time should steer portfolios towards more sustainable companies. The ESG fund rating is an internal measure to enable comparison of managers across sectors and asset classes. Given the fast pace of change across the investment fund industry to integrate ESG factors into the investment process, as well as the fast-evolving nature of ESG-related data, metrics, regulations and risks like climate risk, the fund research team see its ESG assessment of fund managers as an iterative process that will adapt over time. The analysts look to build an understanding of not just how ESG factors are incorporated into investment processes and engagement today but also the direction of travel, with further meetings over time to update and engage on progress made.

The ratings used by the fund research team are given below. Funds that have a bias towards sustainability themes or that target positive outcomes will additionally have a + tag. We seek to apply the ratings consistently across regions and asset classes. The ratings are intended to be dynamic as part of an iterative assessment of fund managers as they continue to make progress on investing responsibly.



The fund research team's engagements are currently focused on process, where the analysts seek to identify fund managers that are laggards in terms of their progress to integrate ESG factors and encourage them to take steps to improve. To do this the team uses their discussions with fund managers on investment process and stock examples to assess a fund manager's analysis and understanding of the company's sustainability as well as broader ESG issues. In addition to this the team regularly meets sustainability and corporate governance teams to discuss their approach to engagement and their involvement in industry groups as well as UN PRI signatory status where applicable.

For the Positive Change strategies, there is an additional review for funds added to the strategy to make sure the funds meet the higher bar set from a responsible investment point of view for the strategy.

Additionally, in terms of monitoring the only blanket exclusion we seek to employ for all investments relates to cluster bombs and anti-personnel land mines, as these are subject to international conventions and law:

- where we invest directly, we do not knowingly invest in securities (equity or debt) of listed companies involved in the manufacture, development or trade of anti-personnel mines or cluster munitions; and
- we also undertake regular checks to monitor any exposure through third-party funds to controversial weapons and other potential areas of concern.

Example

For indirect holdings via funds, in May 2021 we undertook an engagement process with the relevant managers to determine exposure and asked managers to sign an attestation letter to confirm avoidance of cluster munitions and anti-personnel landmines. Our focus has been on the active funds that we hold. With some managers, where data or definitions were not absolutely aligned, this led to a more detailed review of their approach to ensuring this exclusion. In the case of RWC, for example, the firm has now upgraded their provider of data to monitor this, to a more robust and frequently updated source to meet our exclusion standards.

Following our request for a signed attestation to confirm no investment into cluster munitions and anti-personnel mines, one manager indicated they were unable to sign. However, post those discussions, the manager released its ESG policy which included an exclusion on cluster munitions and anti-personnel mines, indicating the forward trajectory of the firm's policy in respect of this important matter.

20. Systemic risk and collaborative engagement 1 4 9 10

As part of our overall approach to stewardship and investment, we work to identify systemic risks that we feel may have a material impact on our portfolios and customers in the future. Examples of areas that we have identified these as systemic risks are shown below. These inform our collaborative engagements as well as our three thematic priorities.

Greenwashing

One of the issues that investors face increasingly is the concern that greenwashing (where products or services are made out to be more sustainable and for example environmentally friendly than they really are).

- Within Quilter Cheviot, in 2021 we started work to create customer categories within our approach to defining customers' responsible investment preferences and have mapped our solutions and services to these categories. We launched these categories in 2022.
- We have contributed to the work that various industry bodies have undertaken in relation to this through our representation on the TISA Responsible and Sustainable Investment Committee as well as contributing to industry body responses to SDR CP22/20, as well as submitting a response as Quilter to the FCA consultation on this.
- In September 2022, a "Greenwashing Risk Assessment" paper was presented to the Executive Risk Forum and Board Risk Committee.

Example

Quilter Cheviot and Quilter Investors investment trust collaborative engagement
This was launched in August 2022 and is focused on responsible investment related disclosures and board composition. Regarding the former, our focus is not just about how the manager approaches responsible investment; we want to understand how the board is managing ESG risks and opportunities within the investment trust itself. Additionally, we are keen to see responsible investment related disclosure and reporting at the investment trust level rather than at the firm level. When it comes to responsible investment related disclosures, we expect disclosures that are pertinent to the investment trust and its holdings. At a minimum, we want the trust to disclose how it has voted on its holdings (when applicable) and the rationale behind some of the most significant votes. We want to see an example of how the manager has engaged with the holdings as well as clear examples of ESG integration. It is also good practice to report on the board's role in managing these ESG-related risks. We believe that there is a gap between the disclosure of investment trusts and other listed companies and financial organisations. Quilter Cheviot and Quilter Investors are significant owners of investment trusts and therefore we believe that we are in a good position to influence better responsible investment practices and disclosure.

Climate Change

As a result of the systemic risk of climate change we have:

- reviewed and enhanced our Group-level governance framework to incorporate oversight of climate-related risks and opportunities;
- identified climate change as one of our thematic priorities in our responsible investment activities;
- begun a thematic engagement process with our largest emitters within portfolios;
- sought specific climate-related data from the third-party and sub advised funds;
- integrated climate-related metrics within our equity ESG dashboards; and
- within Quilter Cheviot, we have compared strategies that have the same risk profile and different responsible investment inputs regarding climate metrics in order to ensure these are meeting the expected outputs from a climate-related perspective.

Update – Investor letter to Governments to call for action on climate change ahead of COP26

Example

CDP Science-Based Targets Campaign – direct equities only
Objective: To accelerate the adoption of science-based climate targets in the corporate sector, by collaboratively engaging companies on this matter.

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

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

Example

CDP Non-Disclosure Campaign – Environmental
Objective: We joined 263 investors from nearly 29 countries to urge companies with a significant environmental impact to disclose data through CDP, the global non-profit that runs the world's leading environmental disclosure system.

Over 1,400 of the world's highest-impact companies will be engaged in this campaign. These companies cover over US$24 trillion (as of 22 June 2022) in global market capitalisation and are estimated to collectively emit more than 4,800 mega tonnes (Mt) of carbon dioxide equivalent (CO_2e[43]) annually. The campaign aims to increase environmental disclosure among companies that either have never disclosed or have stopped disclosing through CDP. Transparent corporate disclosure is crucial to directing capital towards the transition to a net zero, nature-positive future. For us, the focus is on the companies we hold within our centrally monitored equity universe.

Outcome: Climate change, deforestation and water security have become material issues to many industries. Therefore, consistent, comparable data is key to addressing the associated risks and opportunities. We believe increased corporate transparency on environmental impact is a key enabler to improve company performance and create a more resilient economy. This resulted in an overall increase to a 27% disclosure rate across all three themes, with 388 companies responding on themes for the first time. This is up from 25% last year. Companies were 2.3 times more likely to disclose after being targeted by participants through the campaign. Companies targeted on forests were over 3.2 times more likely to respond following engagement. Participants had a high impact on companies targeted in the transportation services, manufacturing, and apparel sectors. A lasting legacy – 90% of companies that submitted in the 2021 NDC responded again in 2022[44]. We contributed to the UKSIF's *'Delivering a Net-Zero Financial Centre: Recommendations from UKSIF's Net-Zero Inquiry'* which was published in May 2022[45].

[43] See the glossary for an explanation of key terms used in this report.
[44] CDP.
[45] *UKSIF-Net-Zero-Inquiry-final-report-May2022.pdf*

Diversity and inclusion

The social and economic impacts of inequality on company operations and performance as well as the destabilising impacts on society in general, therefore we have been engaging with the wider eco-system beyond the investee companies e.g., executive search firms.

Example

30% Club Investor Group – direct equities

As a lead engager, as part of the 30% Club investor group, we launched a collaboration to open discussions with leading executive search firms to assess their hiring practices when making female appointments to executive and board positions. The paper is due to be published in 2023.

Example

Modern slavery in the UK – direct equities

Objective: The purpose was to engage companies that would have not met reporting requirements under the 2015 Modern Slavery Act. In 2021, we joined a group of UK investors lead by Rathbones through the UN PRI platform.

Outcome: All the 44 target companies have responded and as at September 2022 there were eight companies who will be releasing new statements and three companies that are amending statements to become fully compliant.

Find it, Fix it, Prevent it – direct equities

The prohibition of slavery is one of the world's most widely asserted norms. Regulation outlawing forced labour, human trafficking and slavery is to be found in international human rights law and in the legislation of many sovereign states. Further, eradicating modern slavery is one of the UN SDGs. This collaborative engagement will focus on UK-listed companies in specific industry groups which have been identified as being higher risk in regards modern slavery.

Investor Statement on the Seasonal Worker Scheme – direct equities

As an adjunct to the Find it, Fix it, Prevent it campaign CCLA brought together ten long-term institutional investors with £806 billion AuM and advisory with investments across UK-listed retail, hospitality and food production. The statement outlined our concern that migrant workers in the UK, recruited and employed through the government's Seasonal Worker Scheme ("SWS"), are being obliged to pay excessive fees to agents and middlemen in addition to other fees, travel and visa costs for crucial, but temporary roles, supporting the UK's food sector. This results in a high risk of debt bondage, one of the key indicators of forced labour.

UN PRI Advance endorser – Social

As part of Quilter, we are an endorser of the UN PRI Advance programme. This is a stewardship initiative where institutional investors work together to take action on human rights and social issues. Investors used their collective influence with companies and other decision makers to drive outcomes for workers, communities and society.

21. Our voting principles and how we vote 12

As responsible investors we use our voting activities to fulfil our role as a steward of our customers' assets, working to protect and enhance long-term returns. Voting and engagement is part of our investment process, therefore all decisions are made in conjunction with the relevant research analyst.

We have developed a set of voting principles, that reflect guidance from the Financial Reporting Council in the UK Corporate Governance Code, AIC Corporate Governance Code for Investment Companies and from the Pension and Lifetime Savings Association, as well as good practice within the market.

We use the services of ISS, a third-party proxy voting service provider to facilitate the fulfilment of voting. We consider the recommendations of ISS in our engagement and voting decisions, but we apply our own views to the voting policy and will not always follow the recommendations of ISS if we feel it is in the best interests of our customers to take a different course of action. There are minor differences in how we execute our voting in terms of universe and process.

We act independently in regards the execution of our voting, hence we have separated Quilter Cheviot's and Quilter Investors' reporting as this reflects the activity of each of them.

22. Quilter Cheviot voting activity 9 12

Within Quilter Cheviot we vote on our UK, European, US and Australian equity and investment trust positions – this includes the monitored equity lists, the monitored investment trust lists, the AIM portfolio service, MPS and where we own more than 0.2% or £2 million of a holding in the UK. We have a long tail of holdings which is unsurprising given the nature of our customer base; we do not intend at this stage to vote on every single position we have. The reasoning for this is simple: voting should happen alongside engagement and therefore, whilst we could easily vote on every single holding globally, we would not engage on that scale in a meaningful way, and in some cases the position will only be held by one customer. Voting decisions are a reflection of our investment thesis, and we have dedicated equity and fund research teams who meet with the companies we invest in on a regular basis; as well as monitoring them on an on-going basis.

Customers are also able to instruct voting on their holdings

For assurance regarding voting process on holdings within Quilter Cheviot all contentious voting issues, i.e., where we are voting differently to our proxy service provider's recommendations (ISS) or where we are voting against/abstaining management are referred to the Voting Panel for review. The Panel consists of the Chief Investment Officer, Chief Investment Strategist, Head of Responsible Investment and the relevant Head of Research (equities or funds). Where we are considering voting against management proposals or indeed supporting shareholder resolutions which management does not support, we will usually engage with the company in advance and will inform the relevant company of decisions to abstain or vote against management.

Voting principles for direct equities

We have principles in place which guide how we vote; however, we will deviate from these on occasion following engagement with the investment. Below are some of the principles we have adopted as well as examples of how these have informed our voting decision making:

Climate-related shareholder resolutions

We will generally support shareholder resolutions for better company-level disclosure and more detailed interim target reporting on climate metrics, especially if in line with the Paris Climate Agreement.

Example

18x votes supporting management in approving climate-related disclosures and plans

We have supported climate disclosures where the company can demonstrate ongoing commitments to advisory votes, its net zero commitment, progress and associated targets. Additionally, where a company's disclosure adheres to TCFD standards.

Companies voted on: Anglo American, Aviva, Barclays, BP, Centrica, London Stock Exchange, M&G, National Grid, NatWest, Pennon, Repsol, Rio Tinto (x2), Royal Dutch Shell, SSE, Standard Chartered, TotalEnergies, United Utilities.

10x votes in favour of reporting on climate change/GHG emission reduction targets

We supported calls for additional disclosures on how companies are assessing and managing climate-related risks. Additionally, where we felt the current disclosure level was lacking, reporting on how companies are looking to reduce their carbon footprints and align operations to the Paris Agreement goals. We believe this will help us better understand how these companies are managing the transition to a lower-carbon economy.

Companies voted on: Alphabet (x2), Caterpillar, Chevron, ConocoPhillips, Exxon Mobil (x2), Honeywell, Phillips 66, The Boeing Company.

4x votes in favour of reporting on environmental due diligence

We agreed that shareholders would benefit from increased disclosure on how companies are addressing and managing supply chain activities in areas such as water risk exposure and deforestation.

Companies voted on: Alphabet, Honeywell, Tesla, The Home Depot.

Racial diversity

The Parker Review, which is focused on ethnic minority representation on boards, has set a target of 'one by 2021' for the 100 largest companies in the UK and 'one by 2024' for the largest 250 companies in the UK. We monitor and engage with companies in this area and are firmly of the view that 'one and done' is not an acceptable approach to this. We will typically support shareholder resolutions that enhance company performance on racial diversity transparency and auditing.

Example

Walt Disney

Objective: To raise concerns related to transparency issues highlighted by several shareholder resolutions put forward at the 2022 AGM.

After receiving no response from the company, we voted in favour (against the management) of four shareholder resolutions related to approving calls to report on lobbying payments & policy, human rights due diligence efforts, gender/racial pay gap. A resolution was also tabled to reduce the ownership threshold for shareholders to call a special meeting. This measure could improve shareholder voice.

Outcome: We voted against management on four shareholder resolutions to improve transparency on material ESG issues and voted to reduce the ownership threshold for shareholders to call a special meeting.

Gender diversity

If the company is one of the largest 350 companies in the UK and the board does not have at least 30% women on the board (in line with the recommendations of the Hampton-Alexander review), this is a red flag, and we will typically vote against the Chair of the nomination committee. We would look to apply these standards in other geographies where appropriate. All male boards: We will typically vote against all directors with zero female board representation.

Example

Henkel

Objective: To discuss the re-election of two shareholder board members over concerns related to independence and board gender diversity.

The board is only 28% independent, (across both the supervisory and management boards), with the shareholder-elected directors only accounting for 18% of the under-represented gender. We engaged with the company, which highlighted that one component of the board (the supervisory committee) has 33% women representation. The shareholder board also consists of five members of the same family, not considered independent.

Outcome: We voted against management on the re-election of both directors and encouraged improvement in gender and independent representation.

Example

Ocado Group – follow up to 2021 engagement

Objective: To raise concerns about diversity at the board and executive level, and an amendment to the remuneration policy. We had engaged with Ocado in 2021 regarding the low board gender diversity (83% male:17% female) which was a result of the recent resignation of a female Non-executive Director. Ocado stated at that point that it had created an all-female shortlist to appoint a new Non-executive Director.

The company has again failed to meet the 33% target for board gender diversity. Ocado has five executive positions on the board (a relatively high number), which are all held by men. The company has voiced efforts to improve the pipeline of talent, but this has not yet turned into tangible results. On a positive note, new senior leadership hires are now gender balanced with women representing 50% of new hires. The company has proposed to expand its 'Value Creation Plan' (part of its LTIP). We have concerns that the potential pay-out from this newly proposed component could be excessive; although there is a cap in place, it does not kick in until later in the plan.

Outcome: We expected Ocado to make faster progress on diversity. We have informed the company that if the situation does not improve by the 2023 AGM, we will vote against the re-election of the Chair. The lack of clarity on the maximum award component of the expanded 'Value Creation Plan' also means we voted against the proposed remuneration policy.

Diversity-related shareholder resolutions

We will generally support shareholder resolutions for better company-level disclosure on diversity matters.

Example

13x votes in favour of reporting on a third-party racial equity audit

We supported these resolutions to achieve increased disclosure to better understand companies' effectiveness at addressing racial inequality, particularly where targets have been set.

Companies voted on: Alphabet, Altria, American Water Works Company, Apple, Chevron, Johnson & Johnson, McDonald's, Mondelez, Republic Services (x2), The Home Depot, Waste Management, Wells Fargo & Company.

4x votes in favour of gender pay gap reporting

We supported proposals where shareholders would benefit from the median pay gap statistics in order to improve transparency on this issue.

Companies voted on: Amazon.com, Apple (x2), The Walt Disney Company.

Governance

The board is collectively responsible for the long-term success of the company. The board has to have sufficient independence as Non-executive Directors should constructively challenge management and no one individual should have unfettered powers of decision making. In order to ensure that the composition of the board is appropriate there are a number of factors that we assess. These include (but are not limited to) independence, effectiveness and diversity.

Example

Hermes

Objective: To raise concerns about a potential conflict of interest in the discretionary power to set executive remuneration and board independence.

Our proxy adviser recommended voting against the remuneration report, as the discretionary power to set executives' remunerations lies in the hands of the General Partner, leading to an important conflict of interest. The company remains unresponsive about significant dissent on compensation-related items raised at the last AGM. There are also concerns with the election of two board members, given the lack of independence at the board level. We received no response from the company.

Outcome: We voted against management on the remuneration report and the re-election of both directors.

Example

LVMH

Objective: To address concerns relating to board independence and executive remuneration.

The number of independent members of the board is not in line with best practice, and the functions of the Chair and CEO are combined, which is another independence concern. The remuneration report and remuneration policy lack disclosure on the level of achievement of the performance conditions of both the short-term incentive plan and the LTIP. The company does not disclose targets or pay-out scales for the annual bonus. The nature of the LTIP criteria, the vesting scales and the performance periods are also not disclosed. The cap on the exceptional remuneration is not disclosed. We received no response from the company.

Outcome: We voted against management on the multiple items on remuneration (report and policy) and the re-election of two directors, including the Chair.

Example

54*x votes against electing/re-electing director

We have voted against the election of directors due to independence concerns, failures in addressing problematic stock pledging activities (i.e. obtaining loans against the shares owned), and time commitment issues.

Companies voted on: Danaher (x4), Deutsche Telekom, Halliburton (x4), Heineken, Henkel, (x2), Hermes (x2), Hikma, Informa, Intel (x4), Jet2, Just Eat Takeaway.com, KION (x4), LVMH (x2), Mitchells & Butlers (x3), Netflix (x3), Ryanair (x2), Seeing Machines, The Gap, T-Mobile US (x8), TotalEnergies (x3), Vivendi, Walgreens Boots Alliance (x4).

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

The other significant area of focus is remuneration. There are many facets to this and the inclusion of ESG metrics within the incentive structure is one aspect.

Example

GlaxoSmithKline ("GSK")

Objective: To discuss the company's remuneration policy, with a focus on gaining further clarity around bonus arrangements.

We met with the company secretary to discuss the annual bonus targets, which have been adjusted from 200% of base salary to 300% of base salary. There were concerns that this increase was set against a backdrop of underperformance against total shareholder return ("TSR") measures, and that such an increase could result in a focus on short-term performance. It was acknowledged that while the current bonus pay-out sits at the top end of the top 10 UK companies, and that following the demerger, GSK will be part of the top 20 UK companies, the total compensation remains average globally in relation to industry group peers. The newly proposed remuneration policy emphasises the importance of performance delivery. Around 40% of the targets are non-financial and the remuneration committee works with the corporate responsibility committee to ensure targets are appropriate.

Outcome: Based on our engagement, there appears to be a shift in the performance culture and a commitment to transparency regarding performance targets. As a result, we decided to support management at the upcoming AGM.

Example

JD Sports Fashion

Objective: Two meetings to discuss executive remuneration.

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

We met the new Chair of the remuneration committee, to discuss the planned restructuring of the remuneration policy, and to discuss how JD Sports will improve corporate governance.

The Remuneration Committee Chair explained that JD Sports remains focused on delivering shareholder value with the existing strategy and made contact with all its strategic partners following the resignation. Despite his recent departure as Chair and CEO, Peter Cowgill will continue working with JD Sports in an advisory capacity to maintain continuity. The negative share price reaction has been mainly due to uncertainty from recent management changes and the broader macroeconomic environment. Regarding remuneration, JD Sports has had a disappointing track record with corporate governance and particularly remuneration compared to industry peers and the standard expected from a major UK business. To address these concerns, several changes are being proposed in relation to management's LTIP, annual bonus and pension. As a starting point, there will be an alignment of pensions between management and the wider workforce, and the annual bonus will have a portion deferred into shares. The annual bonus will be based on three metrics to balance the importance of revenue, profit before tax and operational governance. Operational governance has grown in importance following recent acquisitions and management changes that require integration. The share-based component of the LTIP will increase and there will be a post-vesting holding period.

Finally, we discussed other elements of governance improvement at the company and whether any material issues from the Sustainability Accounting Standard Board's framework will be considered in the annual bonus. JD Sports' management team is undergoing training on accounting policies and practices, competition law and technology integration. On the material issues, consideration is being given to social metrics such as diversity and inclusion, in addition to the governance metrics being targeted in the annual bonus.

Outcome: This was a positive meeting, and we voted in favour of the new remuneration policy which received over 99% support. We will track governance improvements.

Example

64x votes against management on compensation related resolutions

We voted against remuneration reports and policies where the short and long-term incentive performance metrics were not sufficiently robust, with a suitable emphasis on shares rather than cash. Additionally, where fixed performance targets were lacking and special bonuses awarded during the year, excessive pay out concerns were raised.

Companies voted on: Alphabet, Amazon.com, AXA, Bayer, Boohoo, Carnival (x2), Cellnex Telecom, Chevron, ConocoPhillips, Flutter, General Electric, Halliburton, Heineken, Hermes (x6), Honeywell, Informa, Intel (x2), International Consolidated Airlines, Johnson Service, JPMorgan Chase, Kering (x2), Keywords Studios, KION, Philips, L'Oreal, LVMH (x6), Marks & Spencer, Meta, Mitchells & Butlers, Netflix, NIKE, Ocado (x2), Petrofac, Philip Morris, Prosus (x2), Standard Chartered (x2), Stellantis, TechnipFMC (x2), The Coca-Cola Company, Veolia Environnement, Vivendi (x4), Walgreens Boots Alliance, Wells Fargo, Whitbread.

Other areas of concern include **capital structure changes** that impact shareholders' long-term interests as well as the role of the auditor.

Example

EDPR

Objective: To raise concerns over the level of equity issuance and level of issuance excluding pre-emptive rights, prior to the 2022 AGM.

We asked the company for more detail on the rationale and reaction to our proxy voting service provider's recommendation to vote against management. In summary, EDPR considers its approach to share issuance as reasonable and in accordance with market practice in Spain under the Spanish Companies Act. We understand the issuance request is common practice among listed companies in Spain, but we have determined to follow our internal view on share issuance.

Outcome: We voted against management on the item related to equity issuance.

Example

Frontier IP

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

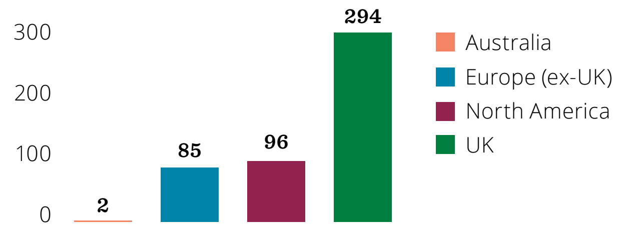
Our proxy adviser raised concerns over the issuance of shares and awarding of share options at the company. We engaged with the CEO who outlined the company's specific staffing model and needs. It often recruits PhD graduates on lower base salaries with a higher balance towards the granting of share options. The share issuance and option awarding strategy is central to staffing processes. We had recently participated in a consultation on the new remuneration policy. The key concerns are the possibility of unintended large pay outs, further increases next year and a lack of detail on the annual bonus Key Performance Indicators ("KPIs"). The Chair quantified the proposed increase for the following year. We urged him to disclose this during the consultation so that investors are aware of this. It was also clarified that the KPIs for the annual bonus will be different from those of the long-term incentive. Finally, we recommended a two-year holding period for any share-based compensation.

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

There are also different considerations to be taken for investment trusts and smaller companies and we incorporate these within our voting principles and activity.

A significant proportion of the assets we invest in on behalf of our customers are funds managed by third-party asset managers. Where these funds invest in UK equities, in general and where relevant, we expect asset managers to adhere to the Code and we expect them to apply their own voting and engagement policies. In certain situations, for example specific strategies or investment structures, the above requirements may not be relevant or appropriate. Where this is the case, we expect the manager to articulate a meaningful rationale as to why it may not be relevant or appropriate.

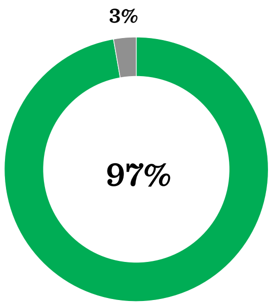
Meetings voted in each geography in 2022



UK includes the Crown Dependencies of Jersey and Guernsey

Within Quilter Cheviot in 2022 we voted at 477 general meetings and on 7,311 resolutions; 72 customers also instructed voting on specific holdings.

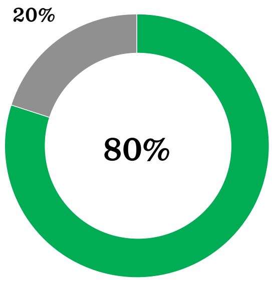
We will vote differently to our proxy voting service provider on occasion where we feel that is appropriate to do so – this is usually as a result of engagement with the underlying company.



Management resolutions voted in 2022

(excluding shareholder proposals)

- With management recommendation
- Against management recommendation

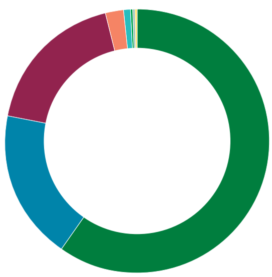


Meetings with votes against management in 2022

(including shareholder resolutions)

- With management recommendation
- Against management recommendation

Over 2022, at 383 meetings (80%) all resolutions were voted in line with management. At 94 meetings (20%) we voted against management on at least one resolution were voted against.

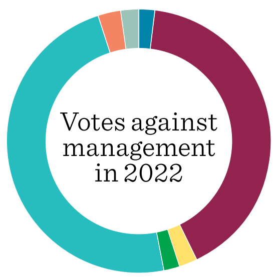


Breakdown of resolutions by geography

(UK includes the Crown Dependencies of Jersey and Guernsey)

With management
- UK - **59.6%**
- Europe *(ex-UK)* - **18.5%**
- North America - **18%**
- Latin America - **0.4%**
- Australia - **0.2%**

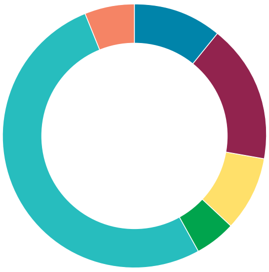
Against management
- UK - **0.4%**
- Europe *(ex-UK)* - **0.8%**
- North America - **2%**



- Audit and accounts **2%**
- Board structure **41%**
- Capital structure **2%**
- Corporate transactions **2%**
- Remuneration **48%**
- Shareholder rights/company articles **3%**
- Other business **2%**

(excluding shareholder proposals)

This excludes shareholder proposals which we supported against the recommendation of management.



23. Quilter Investors voting activity 9 12

Within Quilter Investors we vote on all resolutions at all AGMs and other general meetings globally (unless we are restricted from doing so, for example in share-blocked jurisdictions).

Our investment team reviews all resolutions ahead of shareholder meetings and we only decide how to vote after due consideration and discussion. As a rule, we aim to discuss and resolve any concerns with management before deciding to abstain or vote against a resolution. We review all resolutions that are tabled and take an active involvement where necessary. For example, we may disagree with the recommendations of directors and/or third-party proxy advisers/administrators, and when appropriate we will amend our voting attentions accordingly and provide a rationale for why we have done so in our voting reports. We wholeheartedly recognise the importance of voting, especially given that we are a significant investor in the closed-end fund sector.

Where Quilter Investors delegates the investment management of a fund to another Manager (via a sub-advised arrangement), it is important for the Manager to align engagement and voting with the investment strategy. Due diligence is undertaken on these asset management firms by our fund research team in order to assess their approach to stewardship and responsible investment.

We expect our Managers to vote at shareholder meetings on our behalf. As with investment decisions, our Managers have complete discretion on how to vote. As a minimum standard, we expect our Managers to execute proxy votes where practicable.

We aim to use voting as a means of engagement and escalation in relation to climate-related topics and will exercise our proxy voting powers on climate-related resolutions to support the key areas of climate change transparency, reporting and disclosures, climate strategy and climate-related governance.

Within Quilter Investors during 2022 we voted at 95 general meetings across 714 resolutions.

We consider the recommendations of our proxy service provider in our voting decisions, but we apply our own views to the voting policy and will not always follow recommendations if we feel it is in the best interests of our customers to take a different course of action.

Example

Berkshire Hathaway

Objective: Engagement with other company stakeholders and interested parties relating to shareholder resolutions and director re-elections at the 2022 AGM.

As one of only a few direct equity holdings, and one that flags through our internal data dashboards on carbon metrics, we considered the ballots proposed at this year's AGM carefully. We conducted desk-based research and consulted with ShareAction, our proxy voting research provider ISS and peers to assess how to vote most effectively to escalate our climate and governance concerns. We voted in favour of all shareholder resolutions at this AGM and not in favour of several director elections for whom we deemed were accountable for obstructive or ineffective progress on climate-related disclosures. We also dissented on election of directors from the compensation committee or with long tenure.

Outcome: Although the shareholder resolutions attracted a good level of support at the AGM, they did not achieve the votes required to approve these ballots. We continue to monitor any actions by the company relating to the above concerns. We continue to hold Berkshire Hathaway and monitor for progress.

Example

Riverstone Energy

Objective: Long-term engagement on significant holding to improve corporate access and improve elements of board composition.

The company management and board have taken action to move focus toward renewables and decarbonisation with a rapid adaptation of strategy over the last year. Though considered to be a positive move, we sought increased transparency and reporting on this for investors. As a significant shareholder (23% at time of AGM), we added matters relating to the composition of the board and detail on performance fee calculations to our engagements over the year. With manager representation, several board members of high tenure and only one of the five directors female, we highlighted the opportunity to consider independence and diversity, as well as sustainability credentials, for future appointments. By the time of the AGM, we did not dissent on voting as planned, as we noted progress on all matters with a fully independent board, clarity on performance fees and assurance on recruitment and reporting approach achieved.

Outcome: Since the AGM, new board members and an interim report highlight the improved focus and transparency on sustainability strategy and expertise for oversight. We continue to monitor the board membership and reporting on decarbonisation targets.

Example

HarbourVest Global Private Equity Ltd

Objective: Escalate engagement on board independence with composition at time of AGM includes several representatives from the management company.

Since the AGM, new board members and an interim report highlight the improved focus and transparency on sustainability strategy and expertise for oversight. We continue to monitor the board membership and reporting on decarbonisation targets. Although not against any listing rules in the UK, we consider best practice is to ensure an entirely independent board of directors to avoid commercial conflict or influence. In collaboration with our operational due diligence, responsible investment and portfolio management teams, we have discussed this point with HarbourVest. As this did not result in any commitment to review the position before the time of the AGM, we chose to vote against re-election of two directors, along with 2-3% of other shareholders.

Outcome: HarbourVest continues to engage with us on this point with increasing appreciation of our concerns. The company have highlighted the separation of membership from the Nomination Committee. We continue to monitor the board and committee compositions this year and coming up to the AGM.

Example

APQ Global

Objective: Long-term engagement and continued escalation to achieve board independence and full transparency on calculation of performance fees.

After more than a year of engagement and escalation through dissention on selective ballots, we voted against all director re-elections in 2022, as well as approval of directors' remuneration, going further than our proxy voting service recommendation to abstain. There is a consistent lack of detail in explaining performance, and the individual remuneration components paid to directors during the year.

Outcome: This is a significant vote, and we hold the majority of our exposure through a convertible bond. The manager of the portfolio holding this exposure has recently changed and we will be considering next steps in the year ahead.

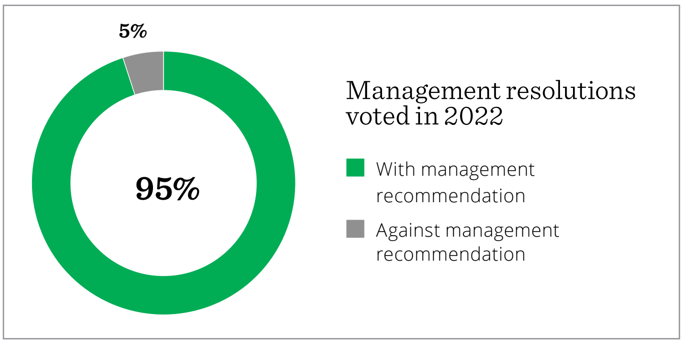
Example

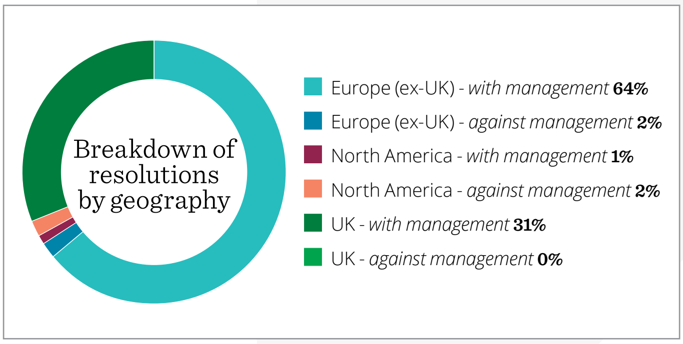
Raven Property Group

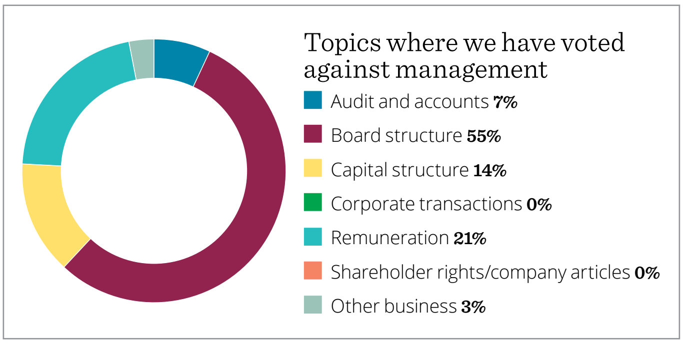
Objective: Ongoing engagement relating to board diversity.

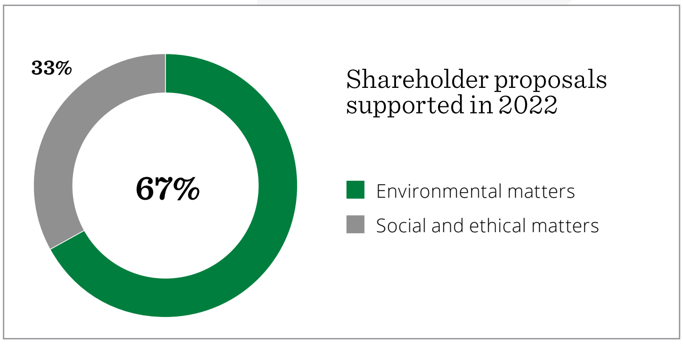
Raven Property Group Limited is a property investment company specialising in commercial property in Russia. During the relevant reporting period (which concluded prior to the Russian invasion of Ukraine) the company had shown good progress in implementing sustainability-related targets into remuneration, and improved the independence of the board for new appointments. Although further progress will be encouraged to improve board diversity characteristics, the vote in question related to the 2021 reporting period and had been delayed to a reconvened AGM in 2022. We have supported the acceptance of reporting for the 2021 period, noting that this reporting and acceptance thereof has been heavily qualified by the auditor to reflect the post reporting period event of the Russian invasion of Ukraine.

Outcome: The portfolio management team responsible for this exposure has recently changed and continues to monitor related sanctions and the impact on this position.









24. Our responsibilities and rights 12

We use the ISS Proxy Exchange as a platform for all our voting and we review the voting universe which we have defined within ISS on a regular basis. Therefore, we are able to monitor our holdings and the relevant voting rights on an ongoing basis across the different custodians that we use. Direct communications between custodians and ISS are set up where possible to ensure we are acting on all voting rights. Within ISS Proxy Exchange we have set up different account groupings with different access permissions so that we can only see ballots or voting records for our own entity. For Quilter Cheviot there is one account grouping for the discretionary holdings whilst, funds and the MPS managed by Quilter Cheviot will each have their own accounts. For Quilter Investors holdings are grouped within one account to monitor all upcoming meetings and ballots together.

As a signatory to the UN-backed PRI, we have made a commitment to transparency and recognise its importance in creating higher standards not only for responsible investment practices but also for the wider financial market.

- Within our regular voting and engagement report we provide detail on how we have voted in relation to engagements we have undertaken.
- From June 2020 in line with the Shareholder Rights' Directive II ("SRD II") we disclose all the votes within our voting universe cast on behalf of customers. We have classified all votes that are enacted within our voting universe to be significant. We do not disclose customer-instructed voting publicly.
- We disclose engagements with all companies and funds on a regular basis. In some cases we may choose not to name the company or the fund in question if we believe publicity is likely to prove counterproductive to our engagement process. Undertaking potentially sensitive engagement in public may lead to a defensive reaction and entrench views of company management or destabilise relationship with a Manager.
- Voting reports are available on our website and also on request.

We do not enter into any activity related to stock lending or borrowing.

In line with the Shareholder Rights Directive II ("SRD II"), we are fully transparent on our voting activity and publicly disclose our voting activities on our website on a quarterly basis, in addition to producing an annual voting report. Where we consider a vote to be significant, additional disclosure related to the voting rationale will be provided.

25. Escalation 11

Where possible it is our preference to support the management of companies in which we have holdings. We will therefore evaluate the actions and strategies of companies constructively, particularly through meetings and other engagement with executive and non-executive directors of the board. However, where there is a threat to the value of the company, we will take steps to protect the value of our customers' investments.

We may consider taking one or more of the following actions:

- engaging with members of the company board;
- discussing or working with other shareholders on matters of mutual interest;
- voting contrary to the management proposals at general meetings;
- selling the holding where we evaluate it is in the interests of our customers to do so; and
- in extreme circumstances, we could request a general meeting.

Regarding engagement with the board, we often meet with the Chair of the remuneration committee in the normal course of our stewardship activity. On occasion we have also spoken to the Senior Independent Director where there has been a particularly sensitive and difficult topic. We have found that multiple engagements are often required, and that patience and perseverance are helpful attributes.

For direct equity investments, we have outlined within a publicly available voting policy our approach to specific voting escalation across common ESG topics. For example:

Climate capability: We expect boards to demonstrate capability in communications with investors and executive oversight. Where we feel the skill set is lacking, we may vote against the Chair of the nominations committee. We support the Financial Stability Board's TCFD Recommendations and Recommended Disclosures and see climate risk as an important consideration in our long-term valuation of a company.

Climate change disclosures: We may not support the report and accounts of companies or election of directors with sustainability responsibilities (Chair of board or Chair of sustainability committee or equivalent) which operate in highly carbon-emitting sectors that have not made sufficient progress in providing investors with relevant climate disclosures (including publishing net zero commitments and interim reduction targets).

Human rights standards: We support the upholding of human rights global standards, including the UN Global Compact on Human Rights, Labour Standards, Environment and Business Malpractice. We may vote against the report and accounts or individual director elections where concerns have been identified. We will also typically support shareholder resolution that enhanced transparency on company performance in relation to human rights standards at both an entity and supply chain level.

Pensions: We tend to vote against remuneration policies that do not follow UK Corporate Governance Code best practice when it comes to pension contributions. The Code states that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce.

With respect to our funds, we consider our engagement a success when we see positive change, but we acknowledge that these issues are often complex, can involve longer time horizons and therefore, patience is nearly always required. Ultimately, however, if we felt our Managers were not responding appropriately or insufficient progress is made and our engagement has led us to conclude that the longer-term suitability of the investment (and/or investment process) had been irreparably impaired, we could redeem our holding or utilise our proxy voting powers to vote against the board or management on the matter of concern. This is particularly relevant for us on climate-related issues as we recognise the importance of a transition to a lower-carbon economy and the role the investment industry needs to play here. We also recognise the risks that climate-related issues can cause to a long-term investment case, should these issues not be appropriately recognised and managed. Engagement is thus a particularly important tool here.

26. Embedding stewardship within our objectives 2 7

Our Executive Committee is assessed against various responsible business measures, including diversity, inclusion, responsible investment and culture measures, as part of their annual incentive scorecard. The responsible investment element is benchmarked against the UN PRI outcomes for Quilter.

Within Quilter Cheviot, the responsible investment team has specific objectives linked to performance and pay outcomes. The delivery of responsible investment integration across our holdings lies with our research teams as well as the responsible investment team. Therefore, within the annual appraisal process key performance objectives are set for the research analysts on an individual basis with specific metrics and goals being set annually. This then leads through into remuneration outcomes.

Within Quilter Investors, in addition to the formal responsibilities that our senior executives have on responsible investment, both the responsible investment team and the senior portfolio managers have explicit formal objectives on progressing responsible investment. This forms the core part of the responsible investment team's performance and remuneration reviews. With respect to the senior portfolio managers, progressing and supporting the embedding of responsible investment forms part of their 'balanced scorecards' which are used to assess overall performance each year which, in turn translates to how our portfolio managers are compensated.

Resources

In order to deliver effective stewardship for our customers we need to have in place the right resources and skill sets for our people and the appropriate systems and data. Data increasingly plays an important part in our stewardship activity with the development of proprietary dashboards focused on ESG metrics.

27. Our people 2

Gemma Woodward, Head of Responsible Investment, High Net Worth

Gemma joined Quilter Cheviot in 2015 to develop its approach to responsible investment and lead the strategic direction across the business. She is a member of the Investment Oversight Committee within Quilter Cheviot and is a member of TISA's Responsible & Sustainable Investment Committee, as well as the Impact Investing Institute's Learning Panel.

She has over 25 years of investment experience and has spent the majority of that time focused on the charity sector, and specifically customers with complex responsible investment requirements.

She is a charity trustee and sits as an independent investment adviser on two further charity investment committees. She is a Chartered Wealth Manager and has a degree in history from Durham University.

Gemma's experience of being an investment practitioner is helpful in understanding the real-life issues of incorporating ESG factors within the investment process and for customer portfolios and strategies.

Greg Kearney, Senior Responsible Investment Analyst – Quilter Cheviot

Greg joined Quilter Cheviot in 2019 and his role is focused on voting and engagement as well as leading thematic and collaborative engagements. Greg is a member of the UN PRI Wealth Management working group and represents Quilter at the 30% Club.

Previously Greg worked at the UN PRI and he holds an MA in International Political Economy from the University of York. He has also completed the Chartered Alternative Investment Analyst (CAIA) qualification.

Greg's experience working at the UN PRI has informed Quilter Cheviot's approach to responsible investment and understanding what best practice looks like.

Marisol Hernandez, Head of Responsible Investment, Affluent

Marisol is a responsible investment and a quant specialist with over 15 years of experience, working for institutional investors, consultancy firms and the UN PRI as a responsible investment adviser and alternative investments consultant.

At the UN PRI Marisol led the work for asset owners, developing programmes for the selection, appointment and monitoring of investment managers, and passive investments. Marisol also led the work for hedge funds, developing the first industry standard responsible investment due diligence questionnaire and the first industry guide for hedge funds focused on responsible investment, leading the implementation of responsible investment across the hedge fund industry.

Marisol joined Quilter Investors in October 2022, leading the responsible investment team to develop and implement responsible investment processes and practices across all business areas.

Marisol has an MSc in Financial Engineering, a BSc in Industrial Engineering, she also completed an AI programme at the University of Oxford.

Nikki Williamson, Responsible Investment Analyst – Quilter Investors

Nikki has extensive experience in financial services and joined Quilter Investors in April 2019 to support the integration of ESG throughout the business. Previously she led operations for retail platform customer research at Boring Money. Prior to this, Nikki spent several years working with UNICEF in Afghanistan, South Sudan and globally, and the British Red Cross on psychosocial support research.

Nikki holds the Certificate in ESG Investing and the Investment Management Certificate, an MSc in Development and Urbanisation from London South Bank University and a degree in Maths and Philosophy from the University of Manchester.

Nikki's wide range of experience including working with NGOs provides a different perspective within our responsible investment team.

Nicholas Omale, Responsible Investment Analyst – Quilter Cheviot

Nicholas joined Quilter Cheviot in 2021. The primary focus of his role has been to develop data dashboards for the equity analysts.

Nicholas completed the Investment Trainee programme at BNP Paribas Asset Management and has an MSc in International Financial Management from Queen Mary University of London, a Business and Economics degree from the University of Roehampton and has completed the CFA ESG qualification.

Nicholas' quantitative approach to responsible investment brings a new skill set to the team and has enabled the building of new data tools for the equity research team as well as for our model portfolios and funds.

Ramón Secades, Responsible Investment Analyst – Quilter Cheviot

Ramón joined Quilter Cheviot in 2022 and his focus is on engaging with companies and boards to better understand how they manage ESG-related risks and opportunities, as well as contributing to our active ownership (voting and engagement) agenda.

Ramón graduated from Royal Holloway University with a degree in Business.

Prior to joining Quilter Cheviot, Ramón worked for corporate governance and ESG consultancy firms which provides a different viewpoint.

Kirsty Ward, Responsible Investment Analyst – Quilter Cheviot

Kirsty joined in 2022 and her focus is on managing our voting activity, as well as contributing to our ongoing engagement programme. Kirsty graduated from the University of Nottingham with a degree in Politics.

Kirsty's prior experience as a resourcing co-ordinator is beneficial in ensuring the voting process is streamlined and efficient. Her active interest in diversity and inclusion is an additional asset.

Claudia Quiroz, Head of Sustainable Investment – Quilter Cheviot

Claudia joined in 2009 to develop our approach to sustainable investment and to launch the award-winning Climate Assets Fund, Quilter Cheviot's flagship fund for sustainable investment. A second Climate Assets Fund was launched in 2022. Claudia is a member of the International Stock Selection Committee within Quilter Cheviot and is a Chartered member of the CISI.

Claudia holds an MBA from Cass Business School in London and a Chemical Engineering degree from the University of La Plata in Argentina. Claudia has been short-listed for several industry awards over the years and most recently was the winner of the Wealth Manager of the Year at the City of London Wealth Management Awards 2021.

Claudia decided early in her investment career to specialise in sustainable investment and is passionate about helping customers to investment in companies offering solutions to the economic and environmental challenges of climate change and resource scarcity.

Kelly Ritchie, Responsible Investment Project Manager – Quilter Investors

As an experienced project manager, Kelly joined Quilter Investors in July 2019. Whilst managing the embedding of ESG within the business, Kelly has gained experience in ESG investment, ESG data and research, industry body requirements/ commitments (PRI, FRC), stewardship and engagement and ESG regulations, in addition to climate action and alignment with net zero goals.

In June 2022, Kelly formally moved into the responsible investment team where she is responsible for co-ordinating and leading on Quilter Investors' regulatory, signatory and external reporting.

Kelly holds a BSc (Hon) degree in Mathematics and French from the University of Keele, and the Investment Management Certificate and the CFA Certificate in ESG Investing.

Will Miller, ESG Quant Analyst – Quilter Investors

Will joined Quilter Investors in July 2021, previously working as a Business Analyst in the wider Old Mutual Wealth group since 2016. Prior to that, Will has worked in delivering change projects across a variety of Pensions and Wealth Management organisations (including Cornhill Life, AXA Wealth, Winterthur Life, Friends Life and HSBC Security Services).

Will holds the CFA ESG certificate. He also holds a BSc (Hons) in Aquatic Biology from the University of Wales, Aberystwyth.

Will's data analytical skills help in understanding and aggregating ESG data within the investment process.

Stuart Clark, CFA, Portfolio Manager

Stuart has been the portfolio manager of the Quilter WealthSelect MPS since its launch in February 2014. In March of 2020, Stuart also became the lead portfolio manager of the QI PML Caerus Select portfolios; and is responsible for managing £10.8 billion of customer money (as at 31 December 2022).

Stuart has been instrumental in the expansion of our WealthSelect range to include the WealthSelect Responsible and Sustainable portfolios. Stuart and his team have researched over 90 funds to identify those that meet the criteria for the funds.

Stuart joined Quilter Investors in 2013 and has more than 20 years' experience in fund research and portfolio management at organisations including UBS Wealth Management and Julius Baer.

Stuart is a Chartered Financial Analyst (CFA) and has a degree in Accounting and Finance from the University of Kent.

Caroline Langley, Deputy Fund Manager for the Climate Assets Fund and Investment Director – Quilter Cheviot

Caroline joined Quilter Cheviot 17 years ago and is the Deputy Fund Manager for both Climate Assets Funds. Caroline also manages private client portfolios, working with customers directly or alongside advisers.

As a Chartered Accountant, Caroline is a Fellow of the ICAEW as well as the CISI and holds an MA (Hons) in Human Sciences from St. Hilda's College, Oxford University, as well as an MSc (distinction) in Environmental Technology from Imperial College, specialising in Global Environmental Change and Policy.

Managing the Climate Assets Funds brings together Caroline's broad academic and professional training and experience giving her varied perspectives. With the team she must consider many sustainability factors and financial measures in order to make sound investment decisions. These funds enable retail investors to benefit from companies that are providing solutions to address the economic and environmental challenges arising from climate change, resource scarcity and demographics.

Toby Rowe, Sustainable Investment Specialist – Quilter Cheviot

Toby joined Quilter in 2018 and the Quilter Cheviot Sustainable Investment team in 2022. Toby is responsible for reporting in line with regulatory developments for the dedicated sustainable investment offering.

Toby has eight years of experience in reporting and auditing, with a focus on investment management, product governance and responsible investment. Toby is a Chartered Accountant and a member of the ICAEW. Toby has completed the CFA UK Investment Management Certificate (IMC) and the Certificate in Climate and Investing (CCI) and holds a BSc in Economics from the University of Nottingham.

Toby's background in risk and control, along with his subject matter expertise in responsible and sustainable investment, enable him to contribute to the continuous improvement of the sustainable investment process.

Bethan Dixon, CFA, ESG Analyst/Portfolio Manager – Quilter Investors

Bethan works with the multi-asset investment team across the portfolio ranges. Bethan joined Quilter Investors in June 2019 from Pyrford International, where she worked as an equity analyst on the Asia Pacific desk where she was involved in integrating ESG factors within the investment process.

Bethan is a CFA Charterholder and holds a degree in Natural Science, with a major in Physics, from the University of Bath. She also holds the CFA Certificate in ESG Investing.

Bethan's experience is instrumental in supporting the Investment team with the integration of ESG into the investment process.

Marcus Cave, ESG Fund Research Analyst – Quilter Investors

Marcus is an investment analyst and supports the portfolio managers across all asset classes, with a specific focus on ESG and sustainable in-vestment strategies. Marcus joined Quilter Investors in March 2021 from PwC where he helped private and institutional asset owners with fund selection, asset allocation and ESG integration.

Marcus is a CFA Charterholder and has a degree in Economics from the University of Exeter.

Marcus's skills are invaluable in providing ESG-focused fund research and due diligence to the Investment Team.

Across Quilter Cheviot and Quilter Investors

Melissa Scaramellini CFA 	**ESG Fund Research Lead** Melissa has over 20 years of investment experience and has been a fund research analyst since 2006. She works alongside the investment team to evaluate how ESG issues are integrated into the investment processes of our third-party managers and is responsible for fund selection in the Positive Change strategies. Melissa holds a degree in Economics and Politics from the University of Bristol and is a Chartered Financial Analyst (CFA) Charterholder and has completed the CFA ESG qualification. Melissa is passionate about climate change, which helps drive her assessment of whether our third-party managers are doing enough to consider environmental issues within their investment process and engagements with companies.
Yusuf Durmaz 	**ESG Fund Research Analyst** Yusuf joined Quilter in 2021, and has over 11 years of fund research experience as an ESG fund research analyst. Yusuf's responsibilities include sustainable and ESG integrated fund selection. Prior to joining Quilter Cheviot, Yusuf worked at Allfunds, building up the ESG fund recommendation list for institutional investors, improving investment processes to include ESG factors and selecting external ESG data providers, both for firm level partnerships as well as for research purposes. Yusuf has a degree in Economics from City, University of London, along with a master's degree in Finance from Bayes Business School and the CFA ESG qualification. Yusuf is passionate about ESG investing and 'right to repair'.

Across Quilter

Bethan Lloyd 	**Group Head of Responsible Wealth Management Strategy** Bethan joined Quilter in 2017, working in internal audit and as business manager to the CEO, before taking on this role in July 2022. Bethan is accountable for our responsible business agenda and her function manages activities such as corporate disclosures, operational climate action and the Quilter Foundation. Bethan is also responsible for maintaining our responsible wealth management strategy, working with key subject matter experts from across the Group to collate a coherent view of our key areas of focus. She also coordinates the delivery of initiatives relating to responsible wealth management which require a Group-wide approach such as regulatory change.
Tosin James-Odukoya 	**Group Head of Inclusion, Diversity and Talent Acquisition** Tosin joined Quilter as the Head of Inclusion, Diversity and Talent Acquisition in June 2021. Prior to this, Tosin was the diversity, inclusion and recruitment business partnering lead at GSMA, where she led the drive for greater equality and inclusion by designing recruitment practices to improve diversity across gender, race and other demographics. Tosin holds a degree in Technology and Enterprise Management from Aston University; and was shortlisted for Advocate of the year at the Women in IT awards in 2020.
Zoe Griffith 	**Sustainability Governance and Reporting Manager** Zoe joined Quilter in 2008 and is a Fellow of the Institute and Faculty of Actuaries ("IFoA"). Zoe facilitates Quilter's management of climate-related risks and co-ordinates Quilter's sustainability-related disclosures. In 2022, Zoe complete the IFoA's Climate Risk and Sustainability Course. Zoe holds a PhD in Mathematics from the University of Southampton.
James Beech 	**Responsible Wealth Management Implementation Manager** James joined Quilter in March 2019, and has worked in several roles across Change, including PMO and Project Management. Currently James is responsible for overseeing the delivery of change initiatives directly linked to the Responsible Wealth Management agenda, namely the TCFD programme. James holds a degree in Business Management from the University of Winchester. In 2022, James was shortlisted to be the Chair for Quilter's Inclusion and Capital Forum.

28. Training our people 2

Quilter Cheviot has developed the Responsible Investment Capital Forum, and this is a regular session to deliver (amongst other outcomes) enhanced and more detailed training. Over 2022 we delivered 14 sessions on 12 different subjects as well as informal workshops that were held in the first quarter which we used the set the forward agenda. The subjects included best practice for having discussions with customers regarding their responsible investment preferences within the suitability process; a review of the regulatory landscape; comparison of climate-related metrics for balanced, medium-risk mandates.

The regular firm-wide updates are available to the whole firm and these focused on: ESG integration frameworks, voting and engagement activity, incorporating responsible investment preferences within the suitability process, climate change, and specific investment strategies such as Climate Assets and Positive Change. The sessions are recorded so that people are able to watch later if they are unable to attend the live event. These events usually see attendance of over 150 employees. With the launch of the Climate Assets Growth fund sessions were provided for the firm by the sustainable investment team in order to educate colleagues on the differences between the new Growth and existing Balanced funds.

Investment professionals within the business also attend the external educational and training events we hold for advisers and customers.

Within the Quilter Cheviot responsible investment team, Kirsty Ward achieved the CFA ESG qualification as has the majority of our wider research team (as well as a number of investment managers). Two equity analysts, who joined in 2022, undertook the UN PRI's Advanced ESG integration course (which the rest of the equity research team has already completed).

The Quilter Investors team has also been focused on developing their own skills. All (but one) of the investment team, plus several others across a number of different business units now hold the CFA ESG Certificate.

Up until the first quarter of 2022, the Quilter Investors' internal training continued with an ESG Education webinar, focusing on the UN SDGs and how these apply in practice to the WealthSelect portfolios. Along with all previous sessions, this was recorded and has been made available through our central training system for all employees to access at any time.

29. Data providers 2 7

We use multiple data providers in order to reduce the risk of bias or skew in our data analysis.

External data provider	Purpose
ISS	**To assist with our active ownership agenda as well as an additional ESG data source.** **Voting platform –** we use ISS to inform our decision making. Recommendations are made based on the agreed voting policy. We do not always vote in line with ISS' recommendations. **Governance risk-oriented data –** focused on board structure, compensation, shareholder rights and audit & risk oversight. Informs decision making for governance engagements and is an input into the equity ESG dashboard. **To provide data for ESG integration.** **Climate data and SDG alignment –** these two data sets are focused on climate-related data and alignment to the UN's SDGs. These are data inputs into our ESG dashboards (for equities, models, funds) and for our third-party fund research.
Sustainalytics	**To provide data for ESG integration.** **Equities –** we use the ESG data points as an input into the ESG dashboards, as well as the high-level information provided in the company reports, as well as the carbon risk rating module. The data include exposure to specific product involvement areas and controversies, as well as sustainable product areas. Companies that breach the UN Global Compact are also highlighted. **Funds –** the data feeds into other systems and tools such as Style Analytics and FactSet to provide our teams with more granular detail regarding ESG factors and underlying holdings across our funds.
Morningstar	**To provide data for ESG integration.** Used for underlying fund data provided for fund research and analysis and also provides Sustainalytics' carbon emissions and risk ratings at fund and portfolio level.
Ethical screening	**To screen on a negative and positive basis in line with the customer policy as well an additional ESG data source within Quilter Cheviot.** Employed at a portfolio level as well as an additional data source for the research teams to identify areas of exclusion as well as positive screening.
CDP	**To provide data for ESG integration and for engagement.** Equities: incorporating metrics from CDP's global disclosure system into the dashboards as well as providing data for engagements.
Other publicly available data	**To provide data for ESG integration.** The equity ESG dashboards use data from multiple sources including publicly available data from Non-Governmental Organisations and other entities.

Assurance and outcomes: our internal frameworks

We are focused on ensuring that we deliver the right stewardship outcomes for our customers within a framework that is subject to scrutiny and challenge where appropriate.

30. Steps forward in 2022 2

The following changes were made in relation to our responsible investment approach in 2022:

- **Resource:** we have added to the teams through the appointment of two additional analysts in 2022 within Quilter Cheviot. Within Quilter Investors, we also added to our resource in 2022 with a dedicated Responsible Investment Reporting and Implementation Manager and converted our ESG Quantitative Analyst contract role into a permanent position.
- **Suitability:** we began incorporating our customers' responsible investment preferences within our ongoing advice process from April 2022. Every customer has their own requirements around risk appetite, ability to bear loss, income requirements as well as the investment time horizon. These are the key areas that will determine what is the right investment approach for the customer. There is a now a further area that we are including within the regular process of ensuring that investments meet customers' requirements, through the suitability cycle. We will now be asking customers about their responsible investment preferences.
- **Expanding our products and solutions to meet customers' responsible investment preferences:** we launched the new WealthSelect Responsible and Sustainable portfolios, the Climate Assets Growth fund and the DPS Focused strategies to ensure that we can meet customer preferences across our responsible investment spectrum.
- **Collaborative engagement:** we launched a collaborative engagement between Quilter Cheviot and Quilter Investors on our investment trust holdings. We believe that we can work together to improve investment trust disclosure on ESG-related matters as well as stewardship. We want to understand how the board is managing ESG-related risks and opportunities within the investment trust itself. Additionally, we are interested in board composition from both a diversity and an independence perspective. This will be a long-term engagement for change.

31. Internal assurance 2 5

ESG considerations were included in Group Internal Audit's ("GIA") 2022 Plan and associated risk assessment. Assurance activity included the assessment of the effectiveness of Quilter's approach to managing ESG considerations in its product management, customer and marketing literature. This review also included alignment to regulatory requirements particularly in relation to disclosures. The review is in progress and observations will be reported to Management following the conclusion. Looking ahead, the 2023 Quilter GIA Plan includes a number of audits that will provide further assurance over the integration of ESG considerations across Quilter, including an audit of the suitability of investment advice in relation to customer's ESG preferences and objectives.

In March 2022, we published our first disclosures consistent with the Recommendations and Recommended Disclosures of the TCFD. As with all publicly available reports, the document review process included approval from senior governance meetings. As the report included some metrics that are new to us, such as weighted average carbon intensity ("WACI") measures, our compliance teams provided an additional layer of scrutiny to provide confidence that the data had been applied and reported accurately.

We place reliance on our first- and second-line control functions to provide input and oversight of the clarity and accessibility of our stewardship reporting. Within Quilter Cheviot all external reporting on stewardship is reviewed by our Chief Investment Officer and Chief Investment Strategist, as well as the compliance and marketing teams. This Stewardship Code report was reviewed by the Quilter plc Board.

32. Annual attestation process 2 5

The Quilter Policy Suite forms an integral part of our governance and risk management framework, ensuring an appropriate system of internal control. Together with the Group Governance Manual, they form the basis of clear delegated authorities and accountabilities, ensuring there is appropriate Board oversight and control of important decisions, and efficient and effective management of day-to-day business. The Group Governance Manual and policies are approved and adopted by the Board at least annually to ensure they remain fit for purpose. Quilter policies are reviewed to ensure they are aligned to Quilter's strategic and operational needs, the wider external and legal/regulatory environment and that their scope, application and content remains correct with appropriate management actions in place. The policies are subject to an annual policy compliance review, with results provided to the Board.

33. Ongoing review of documents and changes to policies 5

Assurance is undertaken through a combination of independent external assurance, compliance monitoring and Internal Audit assurance following a risk-based approach.

We review our responsible investment policies on an annual basis. During the review of our policies we aim to reflect best practice and the evolution of our responsible investment approach.

34. Conflicts of interest 3

Quilter has a Conflicts of Interest Policy that sets out how we manage conflicts of interest in our day-to-day business. The Policy is applicable across the Group and sets out the necessary principles to manage and mitigate key risks and safeguard the independence of our business. Our culture is what we stand for and our values of pioneering, dependable and stronger together, are critical considerations in the development of all our Group policies. The Conflicts of Interest Policy is designed to meet these aims to manage our risks and by adhering to this policy reflect and support our culture and values.

The business unit CEOs are responsible for setting the overall strategy and framework in relation to the Policy applicable to their business.

All employees undertake regular training. Conflicts management forms a core part of our annual computer-based training. Identifying and managing conflicts of interest and mitigating the risk of potential damage to our customers' interests have always been, and remain, an important part of our culture. Employees (including senior management) of the firm, play an essential role in the firm's approach to identifying and managing any conflicts of interest. Therefore, it is important that employees understand the firm's approach to conflicts and take responsibility for identifying and managing conflicts seriously.

All potential and actual conflicts identified are recorded on a Conflicts of Interest register (the "Register"). The Register contains the overview of all conflicts of interest. Additional associated registers are maintained to capture specific personal conflicts of interest including gifts and entertainment and personal account dealing. The location and purpose of all associated registers is recorded on the annex to the Register.

The Register contains:

- the nature of the conflict, including details of its impact and any damage that may arise to the interests of customers, the Business or the Group;
- risk assessment of the identified conflict;
- the owner, parties involved and the date it was added to the Register;
- how the conflict was identified;
- whether the conflict is potential or actual;
- whether the objective is to prevent or accept and manage the conflict;
- business unit controls to prevent or manage the conflict including actions taken to avoid the conflict;
- effectiveness assessment of the documented controls and when their effectiveness was last tested; and
- any disclosure of the conflict to be made to customers.

It is possible that actual or perceived conflicts of interest may arise in relation to the execution of our stewardship activity. Should a conflict of interest arise in relation to the execution of our stewardship activities, we will follow the voting recommendations of our third-party provider, ISS.

Supporting our Group-wide Conflict of Interest Policy, we have investment specific policies. For example, our Quilter Cheviot Conflict of Interest Policy can be found here: ***Quilter Cheviot Conflicts of Interest Policy***

Example

Examples of possible conflicts in relation to our stewardship activity include:

- There may be a situation where we are a shareholder in a company and also in a commercial relationship with that same company as a result of investing in one of their funds. As we have a separation between our equity and our fund research teams, which are also both independent functions; we believe that we are able to manage this conflict effectively given this separation.
- With respect to stewardship, it is possible that actual or perceived conflicts of interest may arise through the normal course of business in relation to the execution of our stewardship activity. For example, should a potential conflict of interest be identified when exercising proxy votes, which may influence us to not act fairly, independently or objectively in the interests of our customers, we will follow the voting recommendations of ISS, our third-party proxy voting service provider.
- There may be occasions where we have a shareholding in Quilter plc with voting rights. In this case, unless specifically directed by a customer, we will follow the guidance given by our external proxy voting service provider with respect to voting.
- Conflicts could occur between customers and where this is the case we will continue to act in the best interests of each customer. Thus, for example, the equity share interests of different customers may be voted differently at the same meeting where it is in the interests of each to do so.
- Where an employee, any member of senior management or non-executive director of a business unit is also a non-executive director of a company within our voting universe we will apply the guidance of our external proxy voting service provider.

Example

Mitigation of a potential conflict of interest identified in 2022

In 2022, Quilter Cheviot and Quilter Investors began conducting a collaborative engagement with investment trusts. These engagements focused on board diversity, independence and remuneration and responsible investment disclosures. Where both entities have common holdings there is a potential conflict of interest and concerns regarding acting as a concert party should either party become aware of the other's voting intentions. Both businesses were fully aware of this. To avoid this potential conflict of interest, we did not disclose any voting intentions to one another. Both entities engaged together with an investment trust and voted differently based on their previous track record of engagement and interaction with the trust.

Trade surveillance and restriction

The compliance teams maintain an 'Insiders' List' which records those members of staff who are aware of inside information relating to investments. Compliance monitors the dealing activity for any security on the Insiders' List. We also have an effective and established Personal Account Dealing policy.

35. Monitoring service providers 8

The market data team operates Quilter-wide to ensure that we have a consistent and effective approach across the businesses. In October 2021 market data principles were established across Quilter for ESG-related data to ensure consistency and to have a governance framework around the appointment or decision to leave service providers and the ongoing management of their data. The overall aim is to provide consistency and accuracy for our customers.

Our market data team provides ongoing management of the service providers and the team is responsible for:

- monitoring issues and troubleshooting with the business;
- reviewing contracts including pricing; and
- reviewing usage with the business on an ongoing basis to ensure we are correctly contracted.

Through the course of 2022 we continued to assess and evolve the market data we have access to. As part of this, our market data team led the process for identifying and onboarding new service providers and data modules. The team is responsible for:

- business sign-off for accurate data and coverage;
- reviewing all legal points in conjunction with our legal team; and
- confirming budget and where it is located.

There have been particular challenges which have required significant interaction with the service providers as the business usage has been fluid and changing. The market data team, in conjunction with the underlying users of the data, have had regular discussions with the service providers regarding a number of issues including the accuracy of the data, the data coverage, the challenges of ESG data for non-equity holdings as well as the accessibility of the data through different systems. The market data team is well placed to resolve issues around which underlying Quilter entity requires the data and the access rights.

[46] See the glossary for an explanation of key terms used in this report.

36. Our responsible business practices 1

Customer policies

Our Product Governance Policy sets minimum standards for the Group and its subsidiaries in manufacturing and distributing financial products appropriately to meet customer needs. The policy is implemented to support compliance with various regulatory frameworks, including the UK implementation of the Markets in Financial Instruments Directive ("MiFID II"), the underlying regulation on Markets in Financial Instruments ("MiFIR"), and the Insurance Distribution Directive ("IDD"). The Product Governance Policy is subject to an annual attestation process managed by the Quilter Risk Function. In our Group, individual legal entity Boards are responsible for setting product strategy and ensuring product governance is effective. The Boards delegate execution of product strategy and operational responsibility to the business Chief Executive Officer.

Our Product Governance Policy outlines minimum marketing and communications requirements for Group functions and subsidiaries. Marketing material published by businesses must be clear, fair and not misleading. Materials should be sufficient to ensure customers can make informed financial decisions in relation to the product or service, including the clear communication and explanation of charging structures for related products. All communications must consider our customers' information needs and comply with applicable regulations, including the FCA's Treating Customers Fairly ("TCF") requirements.

Data privacy and IT Security

The collection and use of customers' and advisers' personal data is governed by our Privacy Policy and supporting standards and overseen by a Group Data Protection Officer ("GDPO"[46]) with the support of a formal committee, the Quilter Privacy Forum. The Board oversees Quilter's IT strategy, including our approach to information and data security. At an executive management level, the Group Chief Operating Officer is responsible for IT strategy and is supported by the Director of Information Security & Technology and team, with input also from the GDPO and Data Guardians embedded in our businesses. All colleagues and full-time contractors are required to complete mandatory annual training on data privacy and IT security.

Our Code of Conduct

Our Code of Conduct sets out the duties of all colleagues and includes acting with integrity and respect, treating customers fairly, managing conflicts of interest, good market conduct, information, data and communications, use of Company assets, prevention of financial crime and working with regulators and governments. Colleagues are required to undertake annual mandatory training to ensure they fully understand the requirements of the code of conduct.

Financial crime, anti-bribery and corruption

As a financial services company we recognise the potential risk of being a target for financial crime, including money laundering, terrorist financing, tax evasion and fraud. We also acknowledge the potential risk of bribery and corruption which could result in financial loss, regulatory fines and/or censure and damage to reputation. We have zero tolerance for financial crime, bribery or corruption and have a robust control environment in place including the following policies:

1) Anti-money Laundering and Counter Terrorist Financing Policy;
2) Anti-bribery and Corruption Policy; and
3) Fraud Prevention Policy; and
4) Financial Crime Prevention Policy.

All colleagues are required to complete mandatory training on these topics annually to ensure that they understand their role in preventing financial crime, bribery and corruption.

Working with suppliers

Our Third-Party Risk Management Policy sets out requirements with respect to our procurement, outsourcing and supplier management activities. Our Supplier Code of Conduct applies to all suppliers and their sub-contractors that provide goods and services to Quilter. It sets out the minimum standards we expect our suppliers to adhere to when doing business with Quilter in addition to the contractual terms agreed. The Code covers legal and compliance, ethical standards, conflicts of interest, anti-bribery and corruption, brands, trademarks and intellectual property, information and data protection, labour standards, living wage, discrimination, health and safety, and environmental management. We also expect our suppliers to promote these standards in their own supply chain where practical.

Human rights and modern slavery

We recognise our responsibility to not only respect the rights and freedoms of those that work for Quilter but also of those in our supply chain. Our human resource and supplier policies and processes prohibit Quilter from doing business with parties involved in modern slavery, forced labour and child labour. These policies also promote equal opportunity and eschew any form of discrimination or unfair treatment on the grounds of protected characteristics, or because of any other personal factor. We respect the right of employees to associate for the purposes of collective bargaining and colleagues are free to join a union of their choice.

[47,48] See the glossary for an explanation of key terms used in this report.

Tax

We are committed to full compliance with our tax obligations, paying the right amount of tax at the right time. We have zero tolerance for tax evasion and we do not promote tax avoidance or aggressive tax planning arrangements to our customers or to other parties. Our Tax Risk Policy sets out high-level requirements to ensure that tax calculations and filings comply with all applicable tax law and are prepared on a timely basis.

Political lobbying

Quilter is a politically neutral organisation and does not engage in party political campaigning or make party political donations. We will not employ any current politician to conduct public affairs activities in any capacity. Furthermore, we will not make any award or payment in money or in kind to any current politician for the provision of public affairs activities. Quilter did not employ any former politician to conduct public affairs activities on our behalf in 2022. If Quilter wishes to employ any former UK Government Minister or senior official within two years of leaving office, the appointment must be approved by the Advisory Committee on Business Appointments ("ACOBA"), and the employee must not lobby the government for two years after leaving office, as stated in the Ministerial Code.

Quilter does, however, seek to influence government policy which could impact our customers, with particular focus on consumer rights and protection. Quilter is also a member of several industry trade bodies in the UK, including the Investment Association ("IA"), Personal Investment and Financial Advice Association ("PIMFA"), the Association of British Insurers ("ABI"), UK Sustainable Investment and Finance Association ("UKSIF"[47]) and The Investing and Saving Alliance ("TISA"[48]).

Our role in promoting financial markets

Quilter has an important role to play within the financial services industry and society as a whole.

37. Corporate and committee membership of external bodies 4 10

Quilter and its underlying business units are members of various trade associations. The table below details which organisations we are a member of.

Trade Body	Quilter plc	Quilter Cheviot	Quilter Investors	Quilter Financial Planning	Quilter Platform
Investment Association (IA)			✓		
Association of British Insurers (ABI)					✓
Personal Investment Management & Financial Advice Association (PIMFA)		✓			
The Investing and Saving Alliance (TISA)	✓	✓	✓	✓	✓
UK Sustainable Investment and Finance Association (UKSIF)	✓	✓	✓	✓	✓

As part of being a member of these associations Quilter participates in various committees which enable us to inform the association's advocacy activities, share our expertise and learn from others across the industry. A key example of this is our participation in TISA's Responsible & Sustainable Investment committee and related working groups. We also have a representative on the Impact Investing Institute's Learning Panel.

We work with other organisations in the industry to promote and advance responsible investment. The Group is a signatory to the UN PRI and takes this commitment seriously as a member of the UN PRI Wealth Manager Working Group. We also use external collaborations to broaden the impact and engagement we can have through our stewardship activities. These include: the 30% Club, CDP and the PRI collaboration platform. We do this to promote best practice and seek to address issues that require collective effort and action.

38. Contributing to industry-wide consultations 4

Quilter responded to Discussion Paper (DP21/4), published by the FCA, on the concept of introducing, for the purposes of investor transparency, labels for products that claim to be 'responsible' or 'sustainable'; and on wider disclosure standards and categorisations that should apply in the UK to products marketed as 'responsible' or 'sustainable'.

Our response highlighted that:

- we are supportive of the FCA's overall aims in relation to this development of standards, as we consider it extremely important that steps are taken to underpin the integrity of the sustainable/responsible product market, for which customer access and understanding will be enhanced by improving transparency and parity between products;
- simplicity and international consistency must be the keystones of customer-facing disclosures. We therefore expressed our support for the consumer engagement the FCA planned to undertake before it proposed more detailed disclosure and labelling rules later in 2022, and we expressed support for the recognition the FCA is giving to existing international standards in order to avoid unnecessary divergence between jurisdictions;
- the scope of what constitutes a 'product' for the purposes of labelling should encompass funds, investment trusts and model managed portfolios designed to serve the needs of multiple customers; but should not extend to individual discretionary managed portfolios, whether for retail or professional customers, nor to transparent 'wrappers' such as Individual Savings Accounts ("ISAs"), Self-invested Personal Pensions ("SIPPs"), or life policies, which serve the sole purpose of providing access to underlying investments, whether sustainable or not. This is because these wrappers are neutral in terms of adding any disclosable sustainable or responsible features themselves; and
- more work needs to be done on defining 'responsible' products, such that a higher bar is set to distinguish them from products that do not promote responsible investing; and that not promoting responsible investing does not necessarily imply negative outcomes.

39. Market risks 4

How we manage risk

Our Enterprise Risk Management Framework is embedded across Quilter and encompasses a number of elements to help Quilter assess and manage its risk exposures. A strong and embedded risk culture is vital in ensuring that risk implications are considered when making strategic and operational decisions, and that Quilter understands its risk profile and manages the business on a continuous basis within the approved risk appetite.

The Executive Risk Forum is the primary management committee overseeing the risk profile of the Group. This forum is chaired by the Quilter CEO, with representation from across Quilter. Ongoing oversight of the risk profile and of risk management arrangements is undertaken by the Board Risk Committee, with relevant matters also being considered by the Board. Similar arrangements are maintained locally in each significant business area.

On a quarterly basis, the Quilter Chief Risk Officer formally reports the second line perspective on the risk profile of the firm, performance against risk appetite and a perspective on the effectiveness of management responses.

Conduct risk

The FCA is the primary conduct regulator for Quilter's UK regulated entities. Quilter takes its regulatory obligations in relation to customers and our conduct seriously and is committed to operating in a responsible and compliant manner.

Quilter seeks to deliver on these obligations through culture and values, backed by a rigorous governance system and an approach to compliance that enables delivery of good customers outcomes. The standards of behaviour Quilter expects from its staff are set out in the Quilter Code of Conduct.

Prudential risk

Quilter is prudentially regulated by the Prudential Regulation Authority ("PRA") under Solvency II and by the FCA under the Investment Firms Prudential Regime regulations and other applicable prudential requirements. To meet these regulations, we operate a consistent approach to risk management across Quilter. As such, we have integrated the Own Risk and Solvency Assessment and Internal Capital and Risk Assessment process into our risk management framework.

We analyse the capital required to protect the sustainability of Quilter and how those capital requirements might develop over our planning period. The assessments include a range of stress and scenario testing covering a broad range of scenarios, including market shocks, new business growth scenarios and operational risk events. Key to our process is preparing management action plans, providing assurance that Quilter is both well capitalised and prepared to take necessary action should adverse events occur.

Operational risk

Quilter operates a series of processes to facilitate the identification and management of operational risk and the reporting of risk events. A discipline of risk and control self-assessments and risk event management is facilitated by our risk system, along with remedial action tracking. Root cause analysis is conducted on material events.

Climate-related risks

One of our, and our customers', most significant exposures to climate-related risk comes from the potential for transition market risk in our investment solutions. We also face investment-related reputational risk if we unintentionally convey misleading information about the environmental soundness of our investments, including our sustainable investment solutions (also known as "greenwashing risk"). Our strategy for managing climate-related risks within our investment activity centres around the integration of environmental considerations in our investment processes, alongside other ESG-related considerations, and our consistent approach to stewardship.

We offer our customers, with the help of their advisers, the ability to diversify their investments over a wide range of sectors, asset classes and geographies and we offer investment solutions which explicitly target responsible and sustainable objectives, including those related to climate change. More information on our approach to greenwashing risk is found in section 20.

Further information

Responsible investment | Quilter
Responsible investment | Quilter Cheviot
Responsible investment | Quilter Investors

Glossary

Term	Definition
AGM	Annual General Meeting.
Article 6 Fund	Under the EU's Sustainable Finance Disclosure Regulation ("SFDR") rules, an Article 6 Fund is a fund that does not take into account sustainability within its investment approach.
Article 8 Fund	Under the EU's SFDR rules, an Article 8 Fund is a find which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.
AuM	Assets under Management.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CO_2e	Carbon dioxide equivalent. The emission of different GHGs warm the earth at different intensities. For example, releasing 1 tonne of methane into the atmosphere has a greater warming potential than releasing 1 tonne of CO_2. This metric is used to express the impact of each different GHG in terms of the amount of CO_2 that would create the same amount of warming so that the impacts of the different GHGs can be compared.
DPS	Discretionary Portfolio Service.
ESG	Environmental, Social and Governance.
ESG integration	ESG integration at Quilter is the explicit and systematic inclusion of material ESG factors into investment analysis and investment decisions. Definition sourced from the UN PRI.
FCA	Financial Conduct Authority.
GHG	Greenhouse gases. The earth's atmosphere is predominantly composed of nitrogen, oxygen and argon. In contrast, naturally occurring GHGs such as carbon dioxide, methane, nitrous oxide and ozone 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. If GHGs were not a part of the earth's atmosphere, the average global temperature would be around -6°C compared to the c.15°C long-term global average. Since industrialisation, GHG concentrations have rocketed, warming the planet at unprecedented rates. The major cause of the increase in carbon emissions, in particular, has been the use of fossil fuels in producing energy.
Greenwashing	Misleading or unsubstantiated claims made about environmental performance by businesses or investment funds about their products or businesses.
The Group	The holding company Quilter plc and its underlying companies.
GDPO	Group Data Protection Officer.
IIGCC	Institutional Investors Group on Climate Change.
Just transition	A framework to ensure that 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. Definition sourced from the European Bank for Reconstruction and Development ("EBRD").
LTIP	Long-Term Incentive Plan.
MPS	Managed Portfolio Service.
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). Definition sourced from the Intergovernmental Panel on Climate Change ("IPCC").
NZAMi	The Net Zero Asset Manager's initiative. The NZAMi is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner.

Term	Definition
Paris Agreement (on climate change)	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.
Responsible investment	A strategy and practice to incorporate environmental, social and governance factors into investment decisions and active ownership. Definition sourced from the UN PRI.
SBT	Science Based Targets.
SBTi	The Science Based Targets initiative. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. The SBTi drives ambitious climate action in the private sector by enabling companies to set science-based emissions reductions targets.
Scope 1 Emissions	The direct greenhouse gas (“GHG”) emissions from sources that are owned or controlled by the company. Scope 1 emissions result from a company’s internal operations, including on-site energy production, vehicle fleets, manufacturing operations, and waste. The values represent metric tonnes of CO_2 equivalent.
Scope 2 Emissions	The indirect greenhouse gas (“GHG”) emissions attributable to operations that are owned or controlled by the company. Scope 2 emissions result from the emissions generated in the production of energy (electricity, steam, heat, and cooling) that is purchased by a company generated upstream from the organisation. For purchased electricity, organisations are required to report Scope 2 emissions according to a ‘location-based’ and a ‘market-based’ method.
Scope 3 Emissions	These are all indirect emissions (not included in Scope 2) that occur in a company’s value chain, including both upstream and downstream emissions (e.g., business travel, waste).
SDR	Sustainability Disclosure Requirements. These are regulations created by the UK regulator, the FCA, aimed at combating greenwashing and ensuring investors are provided with the correct information on how their investments impact social and environmental sustainability.
SFDR	Sustainable Finance Disclosures Regulation. A European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants.
Sustainability focused investment	Investment approaches that select and include investments on the basis they fulfil certain sustainability criteria and/or deliver on specific and measurable sustainability outcomes. Investments are chosen on the basis of their economic activity (what they produce/what services they deliver) and on their business conduct (how they deliver their products and services). Definition sourced from the Investment Association.
Stewardship	Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. Definition sourced from the Financial Reporting Council.
TCFD	The Task Force on Climate-Related Financial Disclosures. The Financial Stability Board created the TCFD to improve and increase reporting of climate-related information.
tCO_2e	Tonnes of CO_2e.
TISA	The Investing and Saving Alliance.
Transition plan	A transition plan is integral to an entity’s overall strategy, setting out its plan to contribute to and prepare for a rapid global transition towards a low GHG-emissions economy. Definition sourced from the UK Transition Plan Taskforce.
UKSIF	The UK Sustainable Investment and Finance Association.
UN PRI	The United Nations Principles for Responsible Investment. The PRI is an UN-supported network of investors, working to promote sustainable investments.
UN SDGs	The United Nations Sustainable Development Goals. The 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015, provides a shared blue-print 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. Definition sourced from the United Nations.

Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. Exchange rates may cause the value of overseas investments to rise or fall.

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Q23_0138/March 2023